

# **COUNTY OF ALPENA, MICHIGAN**

Financial Statements  
For The Year Ended December 31, 2004

**STRALEY, ILSLEY & LAMP P.C.**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>COUNTY OF ALPENA, MICHIGAN</b>	County <b>ALPENA</b>
Audit Date <b>12-31-04</b>	Opinion Date <b>5-31-05</b>	Date Accountant Report Submitted to State: <b>6-23-05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).		X	

Certified Public Accountant (Firm Name) <b>STRALEY, ILSLEY &amp; LAMP P.C.</b>			
Street Address <b>2106 U.S. 23 SOUTH</b>	City <b>ALPENA</b>	State <b>MI</b>	ZIP <b>49707</b>
Accountant Signature <i>Mark J. Sandvik, CPA</i>		Date <b>6-23-05</b>	

# **ALPENA COUNTY**

## **BOARD OF COMMISSIONERS**

Michael W. Nunneley - District 1

Richard A. Donakowski - District 2

Thomas Mullaney - District 3

Thomas A. Male, Sr. - District 4

Leonard T. Zolnierrek - District 5

Howard Male - District 6

Raymond Wegmeyer - District 7

Bill Estlack - District 8

### **Probate Judge**

Douglas A. Pugh

### **District Judge**

Theodore O. Johnson

### **Circuit Judges**

John F. Kowalski

### **County Officials**

#### **Clerk**

Bonnie Friedrichs

#### **Treasurer**

Joelyn K. McCallum

#### **Sheriff**

Steven Kieliszewski

#### **Prosecuting Attorney**

Dennis P. Grenkowicz

#### **Register of Deeds**

Kathy J. Matash

#### **Coordinator**

James Peltier

Population (2000 Census) - 31,314

2004 Taxable Value -- \$1,052,100,279

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December 31, 2004

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*Certified Public Accountants*

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BERNARD R. LAMP, C.P.A.  
MARK L. SANDULA, C.P.A.  
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JAMES E. KRAENZLEIN, C.P.A., C.V.A.  
SHANNA M. JOHNSON, C.P.A.  
DONALD C. LEVREN

RETIRED  
GORDON A. NETHERCUT, C.P.A.  
CARL F. REITZ, C.P.A.  
WARREN W. YOUNG, C.P.A.

**INDEPENDENT AUDITORS REPORT**

To the Board of Commissioners  
**Alpena County, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Alpena County, Michigan**, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Alpena County, Michigan. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Alpena General Hospital, representing 66% of the assets and 87% of the activities of the discretely presented component units and the Alpena County Road Commission, representing 31% of the assets and 4% of the activities of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it related to the amounts included for the Alpena General Hospital and the Alpena County Road Commission, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Alpena County, Michigan** as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for each major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 31, 2005 on our consideration of **Alpena County's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise **Alpena County's** basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of **Alpena County's** basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

*Straley, Ilsley & Lamp P.C.*

May 31, 2005

County of Alpena

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Alpena, we offer readers of the County of Alpena's financial statements this narrative overview and analysis of the financial activities of the County of Alpena for the fiscal year ended December 31, 2004.

### Financial Highlights

- The assets of the County of Alpena exceeded its liabilities at the close of the most recent fiscal year by \$24,226,963 (*net assets*). Of this amount, \$12,323,486 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The County of Alpena's total net assets increased by \$1,888,649. This was the result of an increase in the net assets of governmental activities of \$1,815,669 and in the net assets of business-type activities of \$72,980.
- The County of Alpena provided services of \$14,018,924 in governmental activities and \$265,511 of business-type activities for expenses totaling \$14,284,435 during the year ended December 31, 2004.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$828,702 or 11 percent of total general fund expenditures and operating transfers to other funds in comparison to \$1,079,603 at the close of the prior year, a reduction of \$250,901.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County of Alpena's basic financial statements. The County of Alpena's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the County of Alpena's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County of Alpena's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County of Alpena is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County of Alpena that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County of Alpena include legislative, judicial, general government, public safety, public works, health and welfare, community and economic development, recreation and cultural, and other. The business-type activities of the County of Alpena include the Delinquent Tax Payment Fund.



County of Alpena

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements include not only the County of Alpena itself (known as the *primary government*), but also the Alpena General Hospital, the Alpena County Road Commission, and several Multi-county agencies for which the County of Alpena is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The County of Alpena Building Authority, although also legally separate, functions for all practical purposes as a department of the County of Alpena, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 13-15 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Alpena, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County of Alpena can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County of Alpena maintains thirty-one individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Airport, Ambulance, Housing, Library, Alpena General Hospital Capital Project, and Building Authority funds, all of which are considered to be major funds. Data from the other twenty-four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 16-23 of this report.

**Proprietary funds.** The County of Alpena maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County of Alpena uses enterprise funds to account for its Delinquent Tax Payment fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County of Alpena's various functions. The County of Alpena uses internal service funds to account for its building and grounds maintenance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Delinquent Tax Payment fund, which is considered to be a major fund of the County of Alpena. Conversely, the internal service fund is a single presentation in the proprietary fund financial statements.

County of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County of Alpena's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 27 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-54.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County of Alpena's general and major governmental funds' budget comparisons. Required supplementary information can be found on pages 55-59 of this report.

Combining and individual fund statements and schedules can be found on pages 60-86 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County of Alpena, assets exceeded liabilities by \$24,226,963 at the close of the most recent fiscal year.

The largest portion of the County of Alpena's net assets \$12,323,486 (51 percent) reflects its (*unrestricted net assets*) which represents funds available to meet the government's ongoing obligations to citizens and creditors. The investment in capital assets \$9,168,507 (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The County of Alpena uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County of Alpena's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**COUNTY OF ALPENA'S, Net Assets**

	Governmental Activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$13,392,531	\$13,212,356	\$8,843,328	\$ 8,790,409	\$22,235,859	\$22,002,765
Capital assets	13,825,979	12,583,734	-	-	13,825,979	12,583,734
Total assets	27,218,510	25,796,090	8,843,328	8,790,409	36,061,838	34,586,499
Current liabilities	6,933,148	6,629,022	8,006	28,067	6,941,154	6,657,089
Noncurrent liabilities	4,893,721	5,591,096	-	-	4,893,721	5,591,096
Total liabilities	11,826,869	12,220,118	8,006	28,067	11,834,875	12,248,185
Net assets:						
Invested in capital assets, net of related debt	9,168,507	7,309,711	-	-	9,168,507	7,309,711
Restricted	2,734,970	3,486,713	-	-	2,734,970	3,486,713
Unrestricted	3,488,164	2,779,548	8,835,322	8,762,342	12,323,486	11,541,890
	\$15,391,641	\$13,575,972	\$8,835,322	\$ 8,762,342	\$24,226,963	\$22,338,314

County of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

An additional portion of the County of Alpena's net assets \$2,734,970 (11 percent) represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the County of Alpena is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by \$1,888,649 during the current year. This was the result of Governmental activities ongoing revenues outstripping similar increases in ongoing expenses by \$1,815,669. Business-type activities experienced a small increase of \$72,980 in net assets during the current fiscal year.

**COUNTY OF ALPENA'S, Changes in Net Assets**

	Governmental Activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 5,214,797	\$ 5,992,607	\$ 513,809	\$ 420,695	\$ 5,728,606	\$ 6,413,302
Operating grants	1,969,191	2,387,527	-	-	1,969,191	2,387,527
Capital grants	783,177	-	-	-	783,177	-
General revenues:						
Property taxes	7,209,445	5,974,295	-	-	7,209,445	5,974,295
State sales tax	331,629	744,728	-	-	331,629	744,728
Investing earnings	68,610	53,340	82,426	94,794	151,036	148,134
Transfers	257,744	274,591	(257,744)	(274,591)	-	294,051
Total revenues and transfers	<u>15,834,593</u>	<u>15,427,088</u>	<u>338,491</u>	<u>240,898</u>	<u>16,173,084</u>	<u>15,667,986</u>
Expenses:						
Legislative	169,651	178,858	-	-	169,651	178,858
Judicial	1,364,466	1,477,914	-	-	1,364,466	1,477,914
General government	2,939,802	2,783,201	-	-	2,939,802	2,783,201
Public safety	3,726,926	3,697,853	-	-	3,726,926	3,697,853
Public works	666	963	-	-	666	963
Health and welfare	3,240,581	2,356,145	-	-	3,240,581	2,356,145
Economic development	16,995	20,083	-	-	16,995	20,083
Recreation and cultural	2,012,294	3,344,132	-	-	2,012,294	3,344,132
Other	317,603	380,757	-	-	317,603	380,757
Interest on long-term debt	229,940	261,250	-	-	229,940	261,250
Delinquent tax fund	-	-	265,511	72,086	265,511	72,086
Total Expenses	<u>14,018,924</u>	<u>14,501,156</u>	<u>265,511</u>	<u>72,086</u>	<u>14,284,435</u>	<u>14,573,242</u>
Change in net assets	1,815,669	925,932	72,980	168,812	1,888,649	1,094,744
Net assets - beginning of year	<u>13,575,972</u>	<u>12,650,040</u>	<u>8,762,342</u>	<u>8,593,530</u>	<u>22,338,314</u>	<u>21,243,570</u>
Net assets - end of the year	<u>\$15,391,641</u>	<u>\$13,575,972</u>	<u>\$8,835,322</u>	<u>\$ 8,762,342</u>	<u>\$24,226,963</u>	<u>\$22,338,314</u>

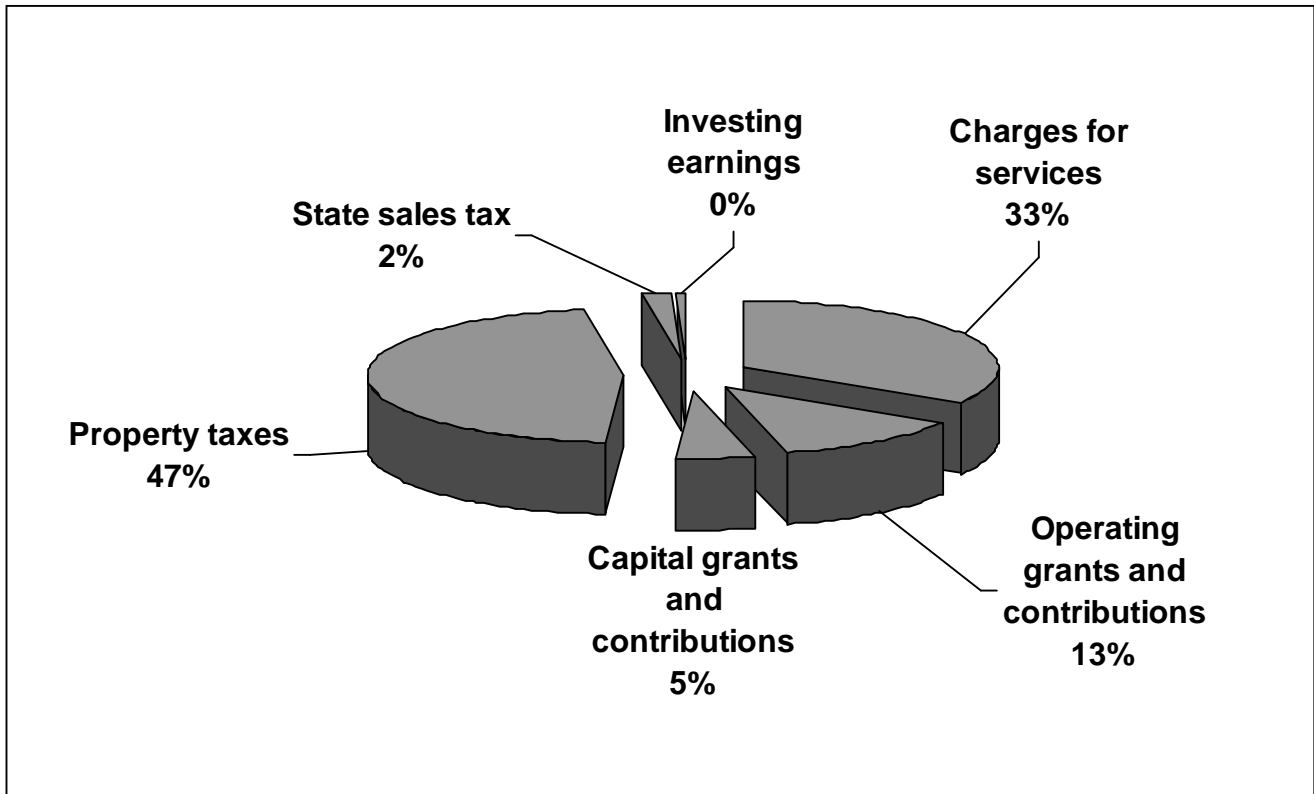
County of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Governmental activities.**

The following chart depicts revenues of the governmental activities for the year ended December 31, 2004:

**Revenues by source - governmental activities.**



In total, 2004 governmental activities revenues increased by \$407,505 over 2003 revenues. This net increase reflects increases in property tax revenue (primarily an accounting change), and small increases in grant revenues, and investment earnings revenue. These increases offset a decrease in state sales tax revenue and a decrease in charges for services as a result of a return of appropriations from the component unit court systems in 2003.

Property tax revenue, which is not assigned to any particular activity, remains the largest support for governmental activities at 47%. Property taxes increased by \$1,235,150 (20.7 percent) during the year of which \$1,067,671 came about because of accelerated revenue recognition pursuant to Public Act 357 of 2004 that required the County to establish a restricted fund, the Revenue Sharing Reserve Fund, and place one-third of the County's December 2004 property tax levy in the fund. Ultimately, after December 2006, a total of three payments will be placed in the fund to provide a funding mechanism to serve as a substitute for state revenue sharing. The balance of the increase is a result of increase taxable values to \$1,052,100,279 from \$971,593,794.

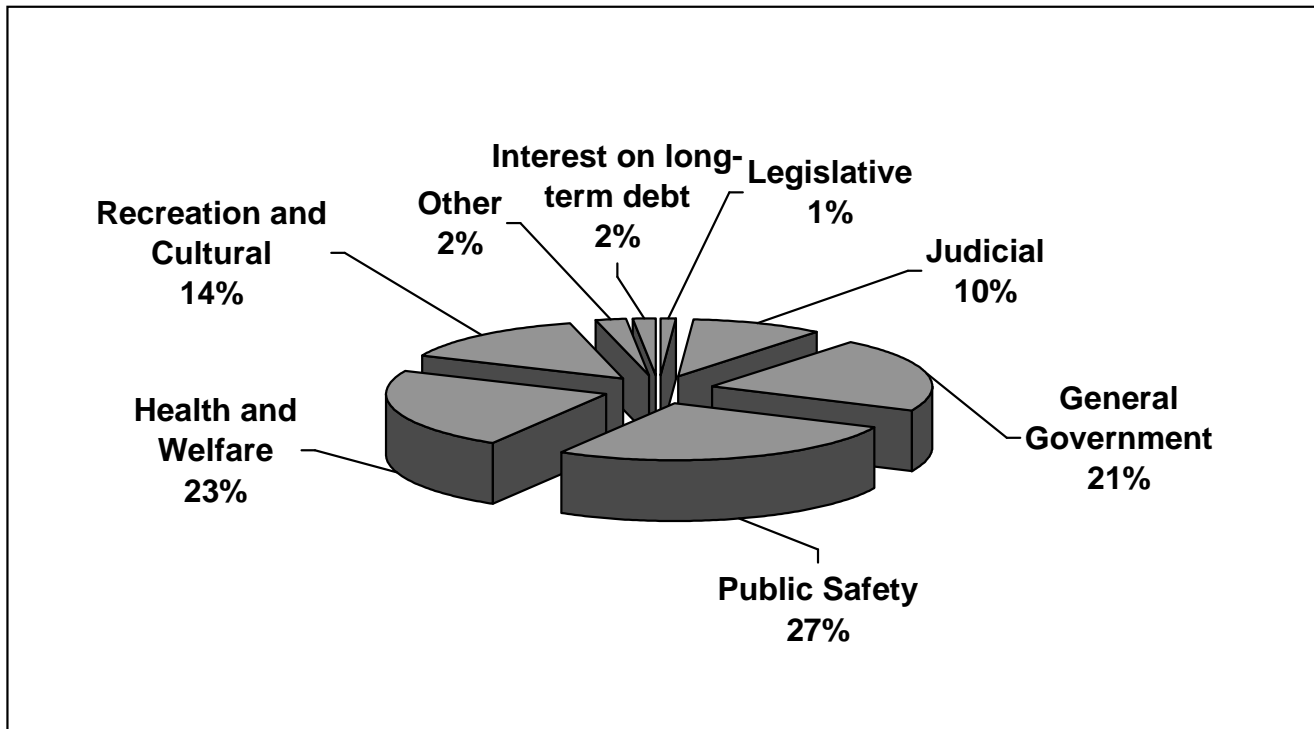
County of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The charge for services revenue, which reimburses the County for specific activities, is the second largest source of governmental activity revenue at 33%. The \$5,214,797 earned in 2004 represents a decrease of \$777,810 over 2003. The decrease is a result of \$1,046,148 in private contributions received in 2003 to fund the construction of the Northern Lights Arena.

Property taxes and charges for services account for over 80% of the governmental activities revenue sources.

**Expenses by function/program - governmental activities.**



Total governmental activity expenses decreased in 2004 by \$482,232 over 2003 expenses. The largest reduction occurred in the recreation and culture activity which had a reduction of \$1,331,838 as a result of 2003 expenses for the construction of the Northern Lights Arena. For the most part, other activities experienced an increase in expenses that closely paralleled inflation and growth in the demand for services. Alpena County continues to attempt to make reductions in expenditures to match the reductions in state shared revenue.

Public safety continues to be the largest governmental activity, expending \$3,726,926 of the \$14,284,435 total (26.1%). Health and welfare expenses are the second largest category at \$3,240,581 (23.1%). General government expenses are the third largest category at \$2,939,802 (20.9%). Over seventy per cent of the 2004 governmental activity expenses are a result of these three activities.

County of Alpena

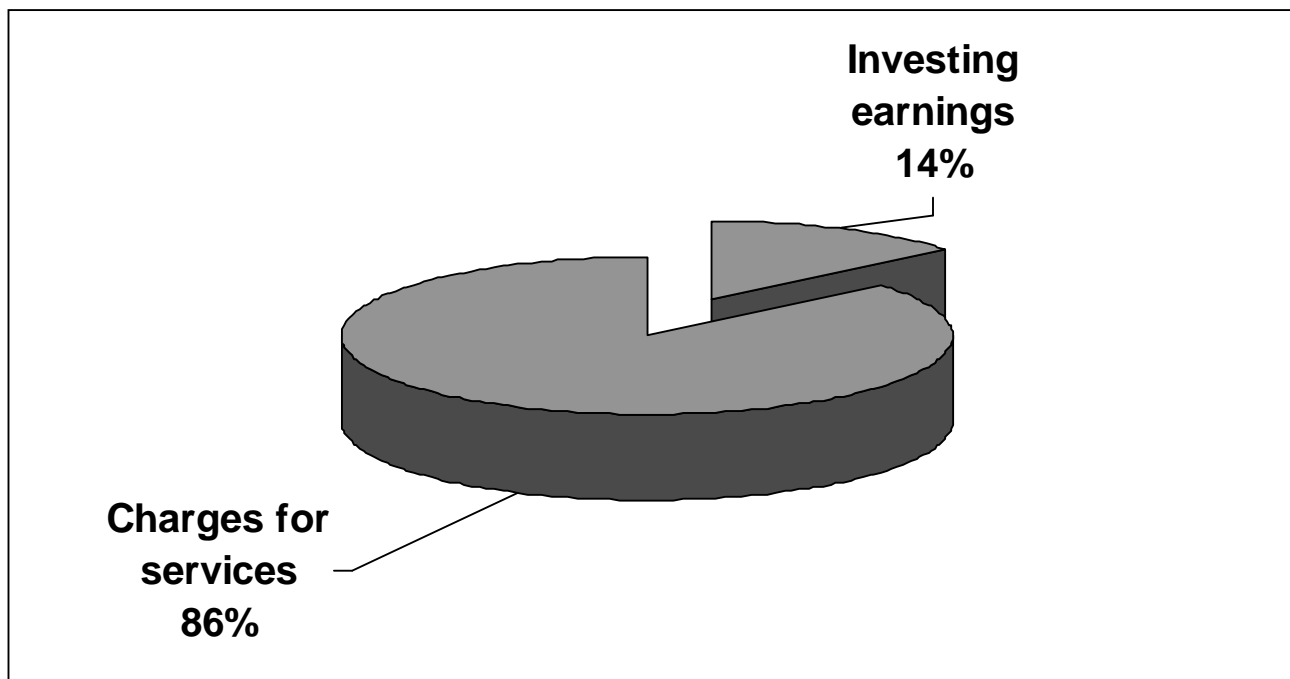
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Business-type activities.** The Delinquent Tax Payment Fund continues to provide local units within the County payment for their delinquent real property taxes. The operation of this fund continues to be a source of revenue to the County. In 2004 \$257,744 was able to be transferred as an appropriation by the County of Alpena General Fund.

**COUNTY OF ALPENA'S, Cost of Services - Business-type Activities**

	<u>Total Cost of Services</u>	<u>Program Revenues</u>	<u>Net Cost of Services</u>
Functions/Programs:			
Delinquent Tax Revolving	\$ 265,511	\$ 513,809	\$ (248,298)
Total expenses	<u>\$ 265,511</u>	<u>\$ 513,809</u>	<u>\$ (248,298)</u>

**Revenues by source - business type activities.**



County of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Financial Analysis of the Government's Funds**

As noted earlier, the County of Alpena uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the County of Alpena's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County of Alpena's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County of Alpena's governmental funds reported combined ending fund balances of \$4,178,213 a decrease of \$132,744 in comparison with the prior year. Approximately 87% of this total amount (\$3,639,014) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$138,703), 2) for future capital outlay (\$390,549).

The general fund is the chief operating fund of the County of Alpena. At the end of the current fiscal year, the fund balance of the general fund was \$967,034, of which \$828,702 was unreserved. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represented 11% of total general fund expenditures and operating transfers to other funds.

The fund balance of the County of Alpena's general fund decreased by \$250,901 during the current fiscal year. Key factors are as follows:

- An overall reduction of revenue of (\$325,216). The sales tax received from the State of Michigan was reduced by (\$413,099), along with other decreases of state grant funding of (\$569,847) received from the State of Michigan. These decreases were partially offset by an increase of \$521,589 in federal grant funding.
- The expenditures and transfers out of the general fund increased by \$2,606. The majority of the increase was due to an increase in general government and public safety expenditures, offset by expenditure reductions in legislative, judicial, health and welfare and transfers out.

The debt service funds have a total fund balance of \$138,703, all of which is reserved for the payment of future liabilities of compensated absences.

***Proprietary funds.*** The County of Alpena's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Delinquent Tax Revolving fund at the end of the year amounted to \$8,835,322. The change in net assets for the funds was \$72,980. Other factors concerning the finances of these funds have already been addressed in the discussion of the County of Alpena's business-type activities.

County of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Capital Asset and Debt Administration**

**Capital assets.** The County of Alpena's investment in capital assets for its governmental and business type activities as of December 31, 2004, amounts to \$13,825,979 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, building and improvements, machinery and equipment and infrastructure.

**COUNTY OF ALPENA'S, Capital Assets**

	Governmental Activities	
	2004	2003
Historical cost:		
Land	\$ 172,984	\$ 129,484
Land improvements	2,127,711	1,700,000
Buildings and improvements	14,348,195	13,415,445
Office and computer equipment	550,335	450,132
Vehicles	1,380,312	1,045,723
	<u>18,579,537</u>	<u>16,740,784</u>
Accumulated depreciation:		
Land improvements	(460,463)	(396,667)
Buildings and improvements	(3,537,035)	(3,163,286)
Office and computer equipment	(178,536)	(91,316)
Vehicles	(577,524)	(505,781)
	<u>(4,753,558)</u>	<u>(4,157,050)</u>
Net Capital Assets	<u>\$ 13,825,979</u>	<u>\$ 12,583,734</u>

**Long-term debt.** At the end of the current fiscal year, the County of Alpena had total debt outstanding of \$4,893,721. Of this amount \$4,325,104 comprises general obligation bonded debt backed by the full faith and credit of the County. The County also has installment purchase agreement obligations of \$332,368 for the purchase of equipment. The balance of debt represents future compensated absences of \$236,249.

**COUNTY OF ALPENA'S, Outstanding Debt, Bonds and Loans**

	Governmental Activities	
	2004	2003
General obligation bonds	\$ 1,165,000	\$ 1,500,000
Building authority bonds	3,160,104	3,295,000
Installment purchase agreements	332,368	479,023
Compensated absences	<u>236,249</u>	<u>317,073</u>
	<u>\$ 4,893,721</u>	<u>\$ 5,591,096</u>



County of Alpena

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Economic Factors and Next Years Budget and Rates**

In preparing the County's 2006 Budget and future budgets, the following factors are creating strains on revenues and increase expenses for the next five fiscal periods:

- Two Michigan constitutional laws that limit property tax to the rate of inflation or a maximum allowable increase of 5%, whichever is less. For 2004 Budget that number was 1.5% and the 2005 Budget it was 2.3%. In developing the 2006 Budget, it remains flat at 2.3%.
- The State of Michigan in dealing with their budget shortfalls dropped State revenue sharing to Counties effective October 1, 2004. \$150,000 of our General Fund Balance reduction for 2004 was the result of this new law. For fiscal years 2005, 2006 and 2007, one third of the counties general tax revenue each year is required to be reserved in a special revenue fund. Which annually the County may make use of amounts equal to our 2003/04 State revenues sharing payments adjusted for inflation each year.
- This special revenue fund will be spending down to zero by June 2010. The lost of State revenue sharing will impact the 2006 and 2007 Budgets by \$200,000 each year. Then in 2008 that number will climb to \$400,000 or more a year until 2010.
- The State of Michigan continues raiding funds from PILT (payment in lieu of taxes) for the DNR and other funds to balance their budget, further reducing revenues returned to the County.
- The County must be committed to maintain a General Fund Balance of 10% to the idea Fund Balance of 16.7%.
- The County annually, must adjust fees for service based on cost and/or inflation where allowed.
- The County must be committed to use technology to better control labor cost, inventory and other expenses.
- The County must examine and determine what excess assets should be sold in 2006 and years after.
- E-911 Funding shifts cause by VOIP, On-star and Cell phones, are reducing revenues to support E-911 and will place pressure again on local taxing authorities to maintain this key service.
- Managing the County's risk is the only way to avoid annual double digital premium increases in the cost of health care insurance, liability insurance and other insurances.
- The County must tackle the financing to make the necessary ADA improvements to it facilities.
- Improve account receivables processes and collections which will improve revenues.
- Our unemployment rate continues to 2 points higher than the State average and 4 points higher than the National average, but the County is the lowest in Northeastern Michigan and serves as the regional economic hub.

**Requests for Information**

This financial report is designed to provide a general overview of the County of Alpena's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the County Treasurer, Courthouse, 720 W. Chisholm Street, Alpena, MI 49707.

County of Alpena

**STATEMENT OF NET ASSETS**

December 31, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,644,617	\$ 4,953,987	\$ 7,598,604	\$ 12,598,721
Investments	768,807	3,173,214	3,942,021	5,506,504
Receivables (net of allowance for uncollectible accounts)	9,974,194	716,127	10,690,321	6,592,292
Inventories	4,913	-	4,913	2,650,535
Prepaid items	-	-	-	4,566,697
Capital assets	18,579,537	-	18,579,537	121,936,872
Accumulated depreciation	(4,753,558)	-	(4,753,558)	(58,100,153)
Total assets	27,218,510	8,843,328	36,061,838	95,751,468
<b>LIABILITIES</b>				
Accounts payable	276,422	-	276,422	3,312,823
Accrued payroll and withholding	125,606	-	125,606	4,719,419
Other liabilities and deposits	-	-	-	571,121
Accrued interest payable	55,458	-	55,458	-
Due to other governmental units	-	8,006	8,006	-
Advances payable	100,165	-	100,165	139,807
Unearned revenue	6,375,497	-	6,375,497	1,930,412
Noncurrent liabilities				
Due within one year				
Compensated absences	236,249	-	236,249	522,655
Bonds and loans	944,973	-	944,973	1,424,222
Due in more than one year				
Compensated absences	-	-	-	74,059
Bonds and loans	3,712,499	-	3,712,499	14,623,813
Total liabilities	11,826,869	8,006	11,834,875	27,318,331
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	9,168,507	-	9,168,507	47,316,146
Restricted for:				
Mortgage loans receivable	2,206,456	-	2,206,456	-
Capital outlay	251,479	-	251,479	1,934,250
Debt service	138,703	-	138,703	-
Donor restrictions	-	-	-	1,767,003
General fund designated	138,332	-	138,332	-
Unrestricted	3,488,164	8,835,322	12,323,486	17,415,738
Total net assets	\$ 15,391,641	\$ 8,835,322	\$ 24,226,963	\$ 68,433,137

The accompanying notes to financial statements are an integral part of this statement.

County of Alpena

**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2004

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Legislative	\$ 169,651	\$ -	\$ -	\$ -
Judicial	1,364,466	565,821	361,485	-
General government	2,939,802	969,117	40,243	-
Public safety	3,726,926	1,155,398	809,115	-
Public works	666	-	-	-
Health and welfare	3,240,581	598,626	688,037	-
Economic development	16,995	-	-	-
Recreation and culture	2,012,294	1,083,007	70,311	783,177
Other	317,603	-	-	-
Interest on long-term debt	229,940	842,828	-	-
Total governmental activities	<u>14,018,924</u>	<u>5,214,797</u>	<u>1,969,191</u>	<u>783,177</u>
Business-type activities:				
Delinquent tax payment fund	265,511	513,809	-	-
Total primary government	<u>\$ 14,284,435</u>	<u>\$ 5,728,606</u>	<u>\$ 1,969,191</u>	<u>\$ 783,177</u>
<b>Component Units:</b>				
Circuit Court	\$ 582,190	\$ 527,114	\$ -	\$ -
District Health Department #4	5,420,169	2,951,732	2,193,284	-
Drain Commission	45	-	-	-
Family Division - Juvenile	412,166	114,707	289,529	-
Friend of the Court	690,227	75,503	594,949	-
Friend of the Court P.A. 215	2,492	6,546	-	-
Probation Enhancement	2,742	-	-	-
Regional Community Correction	160,890	8,853	160,890	-
Alpena County Road Commission	4,226,394	1,203,343	3,942,651	-
Alpena General Hospital	79,088,158	78,274,765	-	-
Total component units	<u>\$ 90,585,473</u>	<u>\$ 83,162,563</u>	<u>\$ 7,181,303</u>	<u>\$ -</u>

General revenues:

Property taxes, levied for general purposes

State revenue sharing

Investment earnings

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of the year

Net assets - end of the year

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (169,651)	\$ -	\$ (169,651)	\$ -
(437,160)	-	(437,160)	-
(1,930,442)	-	(1,930,442)	-
(1,762,413)	-	(1,762,413)	-
(666)	-	(666)	-
(1,953,918)	-	(1,953,918)	-
(16,995)	-	(16,995)	-
(75,799)	-	(75,799)	-
(317,603)	-	(317,603)	-
612,888	-	612,888	-
(6,051,759)	-	(6,051,759)	-
-	248,298	248,298	-
\$ (6,051,759)	\$ 248,298	\$ (5,803,461)	\$ -
\$ -	\$ -	\$ -	\$ (55,076)
-	-	-	(275,153)
-	-	-	(45)
-	-	-	(7,930)
-	-	-	(19,775)
-	-	-	4,054
-	-	-	(2,742)
-	-	-	8,853
-	-	-	919,600
-	-	-	(813,393)
\$ -	\$ -	\$ -	\$ (241,607)
\$ 7,209,445	\$ -	\$ 7,209,445	\$ 760,815
331,629	-	331,629	-
68,610	82,426	151,036	148,359
257,744	(257,744)	-	-
7,867,428	(175,318)	7,692,110	909,174
1,815,669	72,980	1,888,649	667,567
13,575,972	8,762,342	22,338,314	67,765,570
\$ 15,391,641	\$ 8,835,322	\$ 24,226,963	\$ 68,433,137

The accompanying notes to financial statements are an integral part of this statement.

County of Alpena

**GOVERNMENTAL FUNDS - BALANCE SHEET**

December 31, 2004

	<u>General Fund</u>	<u>Airport</u>	<u>Ambulance</u>	<u>Housing</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 484,929	\$ 5,659	\$ 373,899	\$ 67,473
Investments	307,746	-	430,547	-
Receivables				
Taxes	3,844,235	-	716,688	-
Interest and accounts	35,237	12,484	98	3
Loans	-	-	-	2,206,456
Inventory	-	-	-	-
Due from other governmental units	113,347	2,976	-	-
Due from other funds	237,430	-	-	-
	<u>\$ 5,022,924</u>	<u>\$ 21,119</u>	<u>\$ 1,521,232</u>	<u>\$ 2,273,932</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable	\$ 120,941	\$ 5,828	\$ 2,181	\$ 9,734
Accrued payroll and withholdings	90,714	5,344	-	1,385
Due to other funds	-	-	-	-
Advances payable	-	-	-	-
Deferred revenue	3,844,235	-	716,688	2,206,456
	<u>4,055,890</u>	<u>11,172</u>	<u>718,869</u>	<u>2,217,575</u>
Fund equity				
Fund balances				
Reserved	-	-	-	-
Unreserved				
Designated	138,332	6,315	-	-
Undesignated	828,702	3,632	802,363	56,357
	<u>967,034</u>	<u>9,947</u>	<u>802,363</u>	<u>56,357</u>
	<u>\$ 5,022,924</u>	<u>\$ 21,119</u>	<u>\$ 1,521,232</u>	<u>\$ 2,273,932</u>

<u>Library</u>	<u>Revenue Sharing Reserve</u>	<u>Alpena General Hospital</u>	<u>Building Authority</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 359,052	\$ -	\$ 3,151	\$ 4,997	\$ 1,221,374	\$ 2,520,534
-	-	-	-	12,432	750,725
597,240	1,067,671	785,410	-	431,924	7,443,168
-	-	-	-	68,856	116,678
-	-	-	-	-	2,206,456
-	-	-	-	4,913	4,913
-	-	-	-	91,562	207,885
-	-	-	-	-	237,430
<u>\$ 956,292</u>	<u>\$ 1,067,671</u>	<u>\$ 788,561</u>	<u>\$ 4,997</u>	<u>\$ 1,831,061</u>	<u>\$ 13,487,789</u>
\$ 7,430	\$ -	\$ -	\$ -	\$ 118,308	\$ 264,422
9,515	-	-	-	18,648	125,606
-	237,430	-	-	-	237,430
-	-	-	-	100,165	100,165
597,240	-	785,410	-	431,924	8,581,953
614,185	237,430	785,410	-	669,045	9,309,576
-	-	-	-	-	-
-	-	3,151	4,997	375,719	528,514
342,107	830,241	-	-	786,297	3,649,699
342,107	830,241	3,151	4,997	1,162,016	4,178,213
<u>\$ 956,292</u>	<u>\$ 1,067,671</u>	<u>\$ 788,561</u>	<u>\$ 4,997</u>	<u>\$ 1,831,061</u>	<u>\$ 13,487,789</u>

The accompanying notes to financial statements are an integral part of this statement.

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County of Alpena

**GOVERNMENTAL FUNDS - RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

As of December 31, 2004

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Fund balances - Total governmental funds		\$	4,178,213
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Amounts reported for governmental activities in the Statement of  
Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and therefore not reported in the governmental funds.

Governmental capital assets	\$	18,579,537	
Less accumulated depreciation		<u>(4,753,558)</u>	13,825,979

Deferred revenue in the governmental funds is susceptible to full accrual on the Statement of Net Assets.			2,206,456
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Long-term liabilities, including bonds payable are not due and  
payable in the current period and therefore are not reported  
in the governmental funds.

Bonds payable	(4,325,104)	
Installment purchase agreements	(332,368)	
Compensated absences	(236,249)	
Accrued interest payable	<u>(55,458)</u>	(4,949,179)

Internal service funds are used by management to charge the  
costs of certain activities to individual funds. The assets and  
liabilities of internal service funds are included in governmental  
activities in the Statement of Net Assets.

	<u>130,172</u>
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Net Assets of Governmental Activities		\$	<u><u>15,391,641</u></u>
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County of Alpena

**GOVERNMENTAL FUNDS -  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

December 31, 2004

	General Fund	Airport	Ambulance	Housing
<b>REVENUES</b>				
Taxes	\$ 3,729,305	\$ -	\$ 681,433	\$ -
Licenses and permits	21,181	-	-	-
Federal grants	147,933	785,821	57,896	75,000
State grants	1,169,702	17,667	15,242	-
Other intergovernmental revenue	-	-	-	-
Charges for service	1,149,159	94,793	-	125,224
Fines and forfeitures	84,859	-	-	-
Interest and rents	35,940	148,471	10,972	-
Other revenue	584,200	21,101	285	23,375
Total revenues	<u>6,922,279</u>	<u>1,067,853</u>	<u>765,828</u>	<u>223,599</u>
<b>EXPENDITURES</b>				
Current				
Legislative	169,651	-	-	-
Judicial	1,348,002	-	-	-
General government	2,868,987	-	-	-
Public safety	2,022,965	-	692,767	-
Public works	666	-	-	-
Health and welfare	382,456	-	-	307,497
Community and economic development	16,995	-	-	-
Recreation and cultural	-	1,122,808	-	-
Other	317,603	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>7,127,325</u>	<u>1,122,808</u>	<u>692,767</u>	<u>307,497</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(205,046)</u>	<u>(54,955)</u>	<u>73,061</u>	<u>(83,898)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term debt	-	-	-	-
Operating transfers in	614,199	47,943	-	-
Operating transfers (out)	(660,054)	-	-	-
	<u>(45,855)</u>	<u>47,943</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>(250,901)</u>	<u>(7,012)</u>	<u>73,061</u>	<u>(83,898)</u>
<b>FUND BALANCES, beginning of the year</b>	<u>1,217,935</u>	<u>16,959</u>	<u>729,302</u>	<u>140,255</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 967,034</u>	<u>\$ 9,947</u>	<u>\$ 802,363</u>	<u>\$ 56,357</u>

Library	Revenue Sharing Reserve	Alpena General Hospital	Building Authority	Nonmajor Governmental Funds	Total Governmental Funds
\$ 558,111	\$ 1,067,671	\$ 750,796	\$ -	\$ 422,129	\$ 7,209,445
-	-	-	-	4,143	25,324
-	-	-	-	144,053	1,210,703
48,155	-	16,748	50,000	555,780	1,873,294
-	-	-	-	67,371	67,371
19,515	-	-	-	1,429,970	2,818,661
169,942	-	-	-	3,500	258,301
5,455	-	-	4,007	865,423	1,070,268
136,266	-	3,814	60,215	149,093	978,349
937,444	1,067,671	771,358	114,222	3,641,462	15,511,716
-	-	-	-	-	169,651
-	-	-	-	16,464	1,364,466
-	-	-	-	74,969	2,943,956
-	-	-	-	977,409	3,693,141
-	-	-	-	-	666
825,287	-	770,394	-	925,169	3,210,803
-	-	-	-	-	16,995
-	-	-	932,751	1,273,570	3,329,129
-	-	-	-	-	317,603
-	-	-	-	852,262	852,262
-	-	-	-	239,243	239,243
825,287	-	770,394	932,751	4,359,086	16,137,915
112,157	1,067,671	964	(818,529)	(717,624)	(626,199)
-	-	-	-	235,711	235,711
-	-	-	-	613,853	1,275,995
-	(237,430)	-	-	(120,767)	(1,018,251)
-	(237,430)	-	-	728,797	493,455
112,157	830,241	964	(818,529)	11,173	(132,744)
229,950	-	2,187	823,526	1,150,843	4,310,957
\$ 342,107	\$ 830,241	\$ 3,151	\$ 4,997	\$ 1,162,016	\$ 4,178,213

The accompanying notes to financial statements are an integral part of this statement.

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County of Alpena

**GOVERNMENTAL FUNDS - RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2004

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Net change in fund balances - Total governmental funds	\$	(132,744)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	\$ 1,838,753	
Less current year depreciation	<u>(596,508)</u>	1,242,245

The issuance of long-term debt provides current financial resources to governmental funds, which increases liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the Statement of Net Assets.

Proceeds from issuance of long-term debt	(235,711)	
Bond principal payments	684,252	
Installment agreement payments	<u>168,010</u>	616,551

Some revenues (costs) reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.

Change in deferred revenue		62,560
----------------------------	--	--------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest payable	9,303	
Change in long-term compensated absences	<u>80,824</u>	90,127

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

	<u>(63,070)</u>
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Change in Net Assets of Governmental Activities	<u>\$ 1,815,669</u>
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The accompanying notes to financial statements are an integral part of this statement.

County of Alpena

**PROPRIETARY FUNDS - STATEMENT OF NET ASSETS**

December 31, 2004

	Business-type Activities - Delinquent Tax Payment	Governmental Activities - Internal Service Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,953,987	\$ 124,083
Investments	3,173,214	18,082
Accounts receivable (net of allowance for uncollectible accounts)	716,127	7
Total assets	<u>8,843,328</u>	<u>142,172</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	-	12,000
Due to other governmental units	8,006	-
Current portion of long-term debt payable	-	-
Total current liabilities	<u>8,006</u>	<u>12,000</u>
Noncurrent liabilities		
Long-term debt	-	-
Total liabilities	<u>8,006</u>	<u>12,000</u>
<b>NET ASSETS</b>		
Unrestricted	8,835,322	130,172
Total net assets	<u>\$ 8,835,322</u>	<u>\$ 130,172</u>

The accompanying notes to financial statements are an integral part of this statement.

County of Alpena

**PROPRIETARY FUNDS -  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**

Year Ended December 31, 2004

	Business-type Activities - Delinquent Tax Payment	Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES</b>		
Charges for services	\$ 363,485	\$ 307
Interest on taxes	150,324	-
Total operating revenues	513,809	307
<b>OPERATING EXPENSES</b>		
Contracted services	265,511	65,643
Total operating expenses	265,511	65,643
<b>OPERATING INCOME (LOSS)</b>	248,298	(65,336)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income and rents	82,426	2,266
Total nonoperating revenues (expenses)	82,426	2,266
Net income before transfers	330,724	(63,070)
<b>OPERATING TRANSFERS</b>		
Transfers in	-	-
Transfers out	(257,744)	-
	(257,744)	-
Change in net assets	72,980	(63,070)
Net assets - beginning of the year	8,762,342	193,242
Net assets - end of the year	\$ 8,835,322	\$ 130,172

The accompanying notes to financial statements are an integral part of this statement.

County of Alpena

**PROPRIETARY FUNDS - STATEMENT OF CASH FLOWS**

Year Ended December 31, 2004

	Business-type Activities - Delinquent Tax Payment	Governmental Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 2,485,667	\$ -
Cash payments for delinquent taxes	(1,825,157)	-
Payments to suppliers	(265,511)	(53,336)
Net cash provided (used) by operating activities	394,999	(53,336)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from (to) other funds	(257,744)	-
	(257,744)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	-	-
Purchase of investments	(38,450)	(172)
Interest and dividends received	105,060	2,264
Net cash provided (used) by investing activities	66,610	2,092
Net increase (decrease) in cash and cash equivalents	203,865	(51,244)
<b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	4,750,122	175,327
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	\$ 4,953,987	\$ 124,083
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating income (loss)	\$ 248,298	\$ (65,336)
Adjustments to reconcile operating income to net cash provided by operating activities		
Increase (decrease) in accounts receivable	166,762	-
Increase (decrease) in accounts payable	-	12,000
Increase (decrease) in due to governmental units	(20,061)	-
Net cash provided (used) by operating activities	\$ 394,999	\$ (53,336)

The accompanying notes to financial statements are an integral part of this statement.

County of Alpena

**FIDUCIARY FUNDS - STATEMENT OF NET ASSETS**

December 31, 2004

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	Agency Funds
	<hr/>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,687,962
Investments	14,693
Interest and accounts receivable	<hr/> 14
Total assets	<hr/> <b>\$ 1,702,669</b> <hr/>
<b>LIABILITIES</b>	
Payroll withholdings and other	\$ 330,001
Other liabilities and deposits	126,379
Due to other governmental units	183,160
Due to other funds	<hr/> 1,063,129
Total liabilities	<hr/> <b>\$ 1,702,669</b> <hr/>

The accompanying notes to financial statements are an integral part of this statement.



County of Alpena

**COMPONENT UNIT FUNDS - COMBINING STATEMENT OF NET ASSETS**

December 31, 2004

	Circuit Court	District Health Department #4	Drain Commission	Family Division - Juvenile
<b>ASSETS</b>				
Cash and cash equivalents	\$ 34,968	\$ 538,710	\$ 495	\$ 23,796
Investments	-	-	-	-
Receivables (net of allowance for uncollectable accounts)	-	609,162	-	24,880
Inventories	-	-	-	-
Prepaid and other assets	-	255	-	-
Capital assets	687,869	564,365	-	280,000
Accumulated depreciation	(373,153)	(446,278)	-	(30,600)
Total assets	<u>\$ 349,684</u>	<u>\$ 1,266,214</u>	<u>\$ 495</u>	<u>\$ 298,076</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable	\$ 5,765	\$ 121,795	\$ -	\$ 3,381
Accrued payroll and withholdings	8,214	51,656	-	8,081
Other liabilities and deposits	-	-	-	-
Due to other governmental units	-	-	-	-
Advances payable	-	(887)	-	-
Unearned revenue	-	261,830	-	-
Noncurrent liabilities				
Due within one year				
Compensated absences	-	522,655	-	-
Bonds and loans	-	-	-	-
Due in more than one year				
Compensated absences	-	-	-	-
Bonds and loans	-	-	-	-
Total liabilities	<u>13,979</u>	<u>957,049</u>	<u>-</u>	<u>11,462</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	314,716	118,087	-	249,400
Restricted for:				
Capital outlay	-	-	-	-
Donor restrictions	-	-	-	-
Unrestricted	20,989	191,078	495	37,214
Total net assets	<u>\$ 335,705</u>	<u>\$ 309,165</u>	<u>\$ 495</u>	<u>\$ 286,614</u>

Friend of the Court	Friend of the Court P.A. 215	Probation Enhancement	Regional Community Correction	Alpena County Road Commission	Alpena General Hospital	Totals
\$ 99,027	\$ 153,585	\$ -	\$ (23,628)	\$ 3,420,839	\$ 8,350,929	\$ 12,598,721
-	-	-	-	-	5,506,504	5,506,504
203,581	240	-	33,882	806,674	4,913,873	6,592,292
-	-	-	-	401,485	2,249,050	2,650,535
-	-	-	-	70,433	4,496,009	4,566,697
687,869	-	-	-	38,884,154	80,832,615	121,936,872
(373,153)	-	-	-	(13,536,537)	(43,340,432)	(58,100,153)
<u>\$ 617,324</u>	<u>\$ 153,825</u>	<u>\$ -</u>	<u>\$ 10,254</u>	<u>\$ 30,047,048</u>	<u>\$ 63,008,548</u>	<u>\$ 95,751,468</u>
\$ -	\$ -	\$ -	\$ 10,254	\$ 56,924	\$ 3,114,704	\$ 3,312,823
15,849	-	-	-	20,621	4,614,998	4,719,419
-	-	-	-	-	571,121	571,121
-	-	-	-	-	-	-
-	-	-	-	140,694	-	139,807
-	-	-	-	-	1,668,582	1,930,412
-	-	-	-	-	-	522,655
-	-	-	-	-	1,424,222	1,424,222
-	-	-	-	74,059	-	74,059
-	-	-	-	-	14,623,813	14,623,813
<u>15,849</u>	<u>-</u>	<u>-</u>	<u>10,254</u>	<u>292,298</u>	<u>26,017,440</u>	<u>27,318,331</u>
314,716	-	-	-	25,347,617	20,971,610	47,316,146
-	-	-	-	1,934,250	-	1,934,250
-	-	-	-	-	1,767,003	1,767,003
286,759	153,825	-	-	2,472,883	14,252,495	17,415,738
<u>\$ 601,475</u>	<u>\$ 153,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,754,750</u>	<u>\$ 36,991,108</u>	<u>\$ 68,433,137</u>

The accompanying notes to financial statements are an integral part of this statement.

County of Alpena

**COMPONENT UNIT FUNDS - COMBINING STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2004

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<b>Functions/Programs:</b>				
Circuit Court	\$ 582,190	\$ 527,114	\$ -	\$ -
District Health Department #4	5,420,169	2,951,732	2,193,284	-
Drain Commission	45	-	-	-
Family Division - Juvenile	412,166	114,707	289,529	-
Friend of the Court	690,227	75,503	594,949	-
Friend of the Court P.A. 215	2,492	6,546	-	-
Probation Enhancement	2,742	-	-	-
Regional Community Correction	160,890	8,853	160,890	-
Alpena County Road Commission	4,226,394	1,203,343	3,942,651	-
Alpena General Hospital	79,088,158	78,274,765	-	-
Total component units	<u>\$ 90,585,473</u>	<u>\$ 83,162,563</u>	<u>\$ 7,181,303</u>	<u>\$ -</u>

General revenues:

Property taxes, levied for general purposes

Investment earnings

Total general revenues and transfers

Change in net assets

Net assets - beginning of the year

Net assets - end of the year

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Net (Expense)  
Revenues and  
Changes in  
Net Assets

---

\$ (55,076)  
(275,153)  
(45)  
(7,930)  
(19,775)  
4,054  
(2,742)  
8,853  
919,600  
(813,393)  

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\$ (241,607)  

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\$ 760,815  
148,359  

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909,174  

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667,567  
67,765,570  

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\$ 68,433,137  

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County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.**

The accounting policies of the County of Alpena conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the County:

**A. Reporting Entity.**

**Description of County Operations.** The County of Alpena, Michigan, was incorporated March 8, 1843 and covers an area of approximately 640 square miles, with the county seat located in the City of Alpena. The County operates under an elected Board of Commissioners (8 members) and provides services to its 31,314 residents (2000 census) in many areas including law enforcement, administration of justice, community enrichment and development and human services.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

**Blended component unit.** A blended component unit is a legally separate entity from the County, but is so intertwined with the County that it is, in substance, the same as the County of Alpena. It is reported as a part of the County and blended into the appropriate fund types.

**Building Authority.** The County of Alpena Building Authority is governed by a five member board appointed by the County's governing body. Although it is legally separate from the County, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings.

**Discretely Presented Component Units.** The component unit columns in the combined financial statements include the financial data of the County's component units. They are reported in a separate column to emphasize that they are either a multi-county agency or operate independently from the County. The governing bodies of these component units are appointed by the County Board of Commissioners.

The following component units are included as a part of the County's annual financial statements since all of these agencies provide services to more than one county, with Alpena County being the largest. As a result the agency is required to deposit all funds with the County Treasurer. The discretely presented component units are entities that are legally separate from the County, but for which the County is financially accountable, or its relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete.

**Circuit Court.** This fund is established to account for the activities of a two county Circuit Court. Each county contributes an amount based on their relative population to the total population of the district along with sending representatives to sit on Circuit Court board.

**District Health Department #4.** This fund is used to account for health services provided to a four county area. Each county sends representatives to sit on a separate health board that runs the operations of the health department.

**Drain.** This fund is established to account for the activities of the Alpena County Drain Commissioner. The office approves drainage in new developments, subdivision and maintains lake levels.

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**Family Division-Juvenile.** This fund is used to account for the activities of a two county Family Division - Juvenile Office. Each County contributes based on their representative share of the cases handled by the office.

**Friend of the Court.** This fund is established to account for the activities of a two county Friend of the Court office. Each county contributes based on their representative share of the cases handled by the office.

**Friend of the Court P.A. 215.** This fund is used to account for the 215 funds received for the two county area that the Friend of the Court office serves.

**Probation Enhancement.** This fund is used to account for a two county probation office. Financing for this office comes from each of the two counties that it serves.

**Regional Community Corrections.** This fund is used to account for a state grant that serves a three county district with Alpena County being the County of record.

The following component units are included as a part of the County's annual financial statements since all debt and taxes levied must be approved by the County.

**Road Commission.** This fund is used to account for the operation of the County Road Commission. The Commission has its own separate elected board that oversees the day to day operations and sets policies and procedures.

**Alpena General Hospital.** This fund is used to account for a locally owned hospital that serves the residents of Northeast Michigan. The Hospital has a separate board of governors that handle the day to day operations. The County levies property taxes of 1.0 mill for capital projects.

Additional financial information of the individual component units can be obtained from their respective administrative offices or can be viewed at the County Treasurer's office at the courthouse.

Administrative Offices

Circuit Court  
Alpena County Courthouse  
Alpena, MI 49707

District Health Department No. 4  
1521 West Chisholm Street  
Alpena, MI 49707

Drain Commission  
Alpena County Courthouse  
Alpena, MI 49707

Family Division – Juvenile  
Alpena County Courthouse  
Alpena, MI 49707

Friend of the Court  
Alpena County Courthouse  
Alpena, MI 49707

Probation Enhancement  
Alpena County Courthouse  
Alpena, MI 49707

Regional Community Correction  
Alpena County Courthouse  
Alpena, MI 49707

Alpena County Road Commission  
1400 Bagley  
Alpena, MI 49707

Alpena General Hospital  
Office of the Controller  
1501 W. Chisholm  
Alpena, MI 49707

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The government reports the following major governmental funds:

**General Fund.** This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Airport Fund.** This fund is used to account for the Operations of the Alpena County Regional Airport.

**Ambulance Fund.** This fund is used to account for property taxes collected for ambulance services.

**Housing Fund.** This fund accounts for the operations of the Alpena County Home Improvement Program. Financing is provided by federal and state grants, interest, and program income.

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**Library Fund.** This fund is used to account for the operations of the Alpena County Library. Financing is provided by property taxes, state grants, and charges for services.

**Revenue Sharing Reserve.** This fund is mandated by the State of Michigan and accounts for property tax collections to serve as a substitute for state revenue sharing payments.

**Alpena General Hospital Capital Project Fund.** This fund is used to account for property taxes collected for capital projects at the Alpena General Hospital.

**Building Authority Capital Project Fund.** This fund is used to account for the construction of public facilities within Alpena County.

The government reports the following major proprietary funds:

**Delinquent Property Tax Revolving Fund.** This fund is used to account for the payment to each local unit of government within the County of Alpena the delinquent real property taxes outstanding as of March 1, of each year. This fund also is used to account for the collection of those delinquent taxes along with penalties and interest.

Additionally, the County of Alpena reports the following fund types:

**Special Revenue Funds.** These funds are used to account for specific governmental revenues requiring separate accounting for legal, regulatory or administrative purposes.

**Debt Service Funds.** These funds are used to record the funding and payment of the principal and interest on the long-term debt of the County.

**Capital Projects Funds.** These funds are used to account for the acquisition or construction of major capital facilities.

**Internal Service Fund.** These funds are used to record the financing of goods and services provided to other funds of the County on a cost reimbursement basis.

**Agency Funds.** These funds are used to account for assets held in trust or as an agent for others.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.



County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**D. Assets, Liabilities, and Net Assets or Equity**

**Cash and Cash Equivalents.** The County maintains and controls a cash and investment pool in which the primary government and component unit's share. Each fund's or component unit's portion of a pool is displayed on its respective balance sheet as "Cash and cash equivalents". In addition, Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

**Investments.** Consist of governmental moneymarket funds, U.S. Government Securities, and commercial paper with original maturities of greater than 90 days. Investments are stated at fair value which is determined using selective bases.

**Receivables and Payables.** In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

**Inventories and Prepaid Items.** Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets.** Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Land Improvements 20 to 25 years  
Buildings 30 to 50 years  
Building Improvements 15 to 30 years  
Vehicles 3 to 5 years  
Office and Computer Equipment 3 to 7 years  
Infrastructure - Roads 5 to 30 years  
Infrastructure - Bridges 12 to 50 years  
Infrastructure - Traffic Signals 15 years

**Vacation, Sick Leave and Other Compensated Absences.** After one year of employment, County employees are granted vacation leave in varying amounts based on length of service. Vacation pay is fully vested when earned; upon termination, employees are paid accumulated vacation at their regular pay rates to a limit of 100% of their current annual earned vacation. All full-time and regular part-time employees in accordance with County contracts negotiated with the various employee groups shall be entitled to paid time off (PTO). 176 PTO hours for 40 hour per week full-time employees and 154 PTO hours for 35 hour per week full-time employees and pro-rated for part-time employees is the maximum hours that may be accumulated.

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

These policies are followed by all funds and departments of the County except the Road Commission, Hospital, District Health, and Multi-County Courts, which have established separate policies.

The Multi-County Circuit Courts have adopted a medical leave policy where employees can accumulate up to 120 days of medical leave. Upon retirement, employees shall be paid for all unused accumulated medical leave. Vacation leave is granted in varying amounts based on length of service and is fully vested when earned. Vacation time does not accumulate to future periods except employees can carry-over a maximum of 10 unused vacation days to the following year.

The District Health Department No. 4 has adopted a medical leave policy where employees can accumulate up to 100 days of medical leave. Upon retirement, employees shall be paid for all unused accumulated medical leave. Vacation leave is granted in varying amounts based on length of service and is fully vested when earned. Vacation time can accumulate up to a maximum of 30 days. Upon termination, the employee shall receive any current unused vacation time.

Additional disclosures for the Road Commission and Hospital policies regarding their compensated absences can be found by obtaining a copy of each respective departments/separate audit.

**Long-Term Obligations.** In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity.** In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Encumbrances.** Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation is not employed by the County. Commitments outstanding at year end are charged against the subsequent year's appropriation once received and approved.

**Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimated.

**Reporting Periods.** The reporting period for all funds and account groups of the County is the year ended December 31, 2004, except Alpena General Hospital (AGH) a component unit activity, where the reporting period is the year ended June 30, 2004.

**Reclassifications.** Certain items reported in the 2003 financial statements have been reclassified to conform with the presentation for the current year.

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2--LEGAL COMPLIANCE.**

**Budgets and Budgetary Accounting.** Prior to adoption of the General Fund budget, County departments prepare and submit their proposed operating budgets commencing the following January 1. A public hearing is conducted to obtain taxpayer comments. Prior to December 31, the budget is adopted by the Board of Commissioners. Budgeted amounts are as originally adopted, or as amended by the Board of Commissioners during the year. Unused appropriations at December 31 are not carried forward to the following year.

Budgets are to be prepared on the same basis of accounting as the financial statements. The County prepared its General Fund budget using the cash basis of accounting.

**Excess of Expenditures Over Appropriations in Budgeted Funds.** The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The County of Alpena's actual expenditures and budgeted expenditures for the funds budgeted have been shown on a functional basis.

The General Fund budget was legally enacted on a functional level. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue Fund Types presents a functional comparison of the budget with actual data on a budgetary basis. Detail at the activity and departmental level is presented in the General Fund Combining Statement for the benefit of management. Since accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of the differences is shown in the Combined Statement.

During the year, the County of Alpena did not incur expenditures which were in excess of the amounts appropriated.

**Accumulated Fund Deficits.** The County of Alpena has accumulated fund balance/retained earnings deficits in the following individual funds:

Northern Lights Arena	\$ (33,524)
-----------------------	-------------

Public Act 275 of 1980 (MCL 141.921) requires that the County of Alpena file a deficit elimination plan to the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended the year in a deficit condition. The County of Alpena has not filed the required plan. The County feels the following addresses the deficits and will be filing the plans shortly.

Northern Lights Arena – This is a community events center and ice arena that has experienced start-up losses in its first year of operation. The County expects that future donations and operating revenues from the facility will eliminate the deficit.

**NOTE 3--DEPOSITS AND INVESTMENTS.**

Michigan Compiled Laws, Section 129.91, authorizes the County of Alpena to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

The County of Alpena has designated seven banks for the deposit of County funds. The investment policy adopted by the Board of Commissioners in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The County of Alpena's deposits and investments are in accordance with statutory authority .

At year end, the County of Alpena's deposits and investments were reported in the basic financial statements in statements in the following categories:

	Statement of Net Assets			
	Primary Government	Component Units	Fiduciary Funds	Total
Cash and cash equivalents	\$ 7,598,604	\$ 12,598,721	\$ 1,687,962	\$ 21,885,287
Investments	3,942,021	5,506,504	14,693	9,463,218
	<u>\$ 11,540,625</u>	<u>\$ 18,105,225</u>	<u>\$ 1,702,655</u>	<u>\$ 31,348,505</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Component Units	Fiduciary Funds	Total
<b>Carrying Amounts</b>				
Cash and cash equivalents				
Bank deposits				
Pooled checking	\$ 1,691,453	\$ 2,908,991	\$ 1,402,523	\$ 6,002,967
Checking and savings	138,703	8,350,416	71,131	8,560,250
Certificates of deposit	5,743,838	1,323,684	214,308	7,281,830
	7,573,994	12,583,091	1,687,962	21,845,047
Petty and cash on hand	24,610	15,630	-	40,240
	<u>7,598,604</u>	<u>12,598,721</u>	<u>1,687,962</u>	<u>21,885,287</u>
Investments				
Commercial paper	-	3,500,000	-	3,500,000
U.S. Government Securities	-	2,006,504	-	2,006,504
Money market funds	3,942,021	-	14,693	3,956,714
	<u>3,942,021</u>	<u>5,506,504</u>	<u>14,693</u>	<u>9,463,218</u>
	<u>\$ 11,540,625</u>	<u>\$ 18,105,225</u>	<u>\$ 1,702,655</u>	<u>\$ 31,348,505</u>

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for demand deposits and \$100,000 for savings deposits. Furthermore, if specific deposits are regulated by statute or bond indenture these specific deposits are to be separately insured for the amount of \$100,000. due to the nature of the County's cash management pool, it is not possible to segregate bank deposits between the primary government and the component units for FDIC insurance coverage. Accordingly, only reporting entity totals are reflected. At year end, the carrying amount of the County's bank deposits was \$21,845,047, with a corresponding bank balance of \$22,472,684. Of the bank's balances, \$1,409,974 is insured, and the remaining \$21,062,710 is uninsured and uncollateralized and in the County's name.

The County's investments are categorized below to give an indication of the level of risk assumed by the entity for the year ended December 31, 2004:

- Category 1 Includes investments that are insured or registered for which the securities are held by the County or its custodial agent in the County's name.
- Category 2 Includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name.
- Category 3 Includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the County's name.

	Category			Fair
	1	2	3	Value
Commercial paper	\$ -	\$ -	\$ 3,500,000	\$ 3,500,000
U.S. Government Securities	-	-	2,006,504	2,006,504
Money-market funds	-	-	3,956,714	3,956,714
Total categorized Investments	\$ -	\$ -	\$ 9,463,218	\$ 9,463,218

**NOTE 4--RECEIVABLES.**

Receivables for the primary government and component units at December 31, 2004 are as follows:

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Units
Receivables (net of allowance for uncollectibles)	\$ 116,685	\$ -	\$ 116,685	\$ 5,387,065
Loans	2,206,456	-	2,206,456	-
Taxes receivable	7,443,168	716,127	8,159,295	-
Due from governmental units	207,885	-	207,885	1,205,227
	\$ 9,974,194	\$ 716,127	\$10,690,321	\$ 6,592,292

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5--INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS.**

The amounts of the interfund activity at December 31, 2004 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 237,430	\$ -
Revenue Sharing Reserve	<u>-</u>	<u>237,430</u>
	<u>\$ 237,430</u>	<u>\$ 237,430</u>

Reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers have been eliminated.

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund	\$ 614,199	\$ (660,054)
Special Revenue Funds		
Airport	47,943	-
Budget stabilization	-	(100,000)
Child Care - F.I.A.	3,742	(1,338)
Child Care – Probate	401,507	(1,742)
Family independence agency	24,000	(17,687)
Law library	12,400	-
Parks	10,000	-
Plaza pool	35,401	-
Revenue sharing reserve	-	(237,430)
Capital Project Fund		
Equipment replacement	126,803	-
Business-type Activities		
Delinquent Tax Payment Fund	<u>-</u>	<u>(257,744)</u>
	<u>\$ 1,275,995</u>	<u>\$ 1,275,995</u>

Transfers are used to: (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (3) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - CAPITAL ASSETS**

**Primary Government**

Capital asset activity of the primary government for the year ended December 31, 2004 is as follows:

	Balance 12/31/03	Additions	Retirements	Balance 12/31/04
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 129,484	\$ 43,500	\$ -	\$ 172,984
	<u>129,484</u>	<u>43,500</u>	<u>-</u>	<u>172,984</u>
Capital assets, being depreciated:				
Land improvements	1,700,000	427,711	-	2,127,711
Buildings and improvements	13,415,445	932,750	-	14,348,195
Office and computer equipment	450,132	100,203	-	550,335
Vehicles	1,045,723	334,589	-	1,380,312
	<u>16,611,300</u>	<u>1,795,253</u>	<u>-</u>	<u>18,406,553</u>
Less accumulated depreciation:				
Land improvements	(396,667)	(63,796)	-	(460,463)
Buildings and improvements	(3,163,286)	(373,749)	-	(3,537,035)
Office and computer equipment	(91,316)	(87,220)	-	(178,536)
Vehicles	(505,781)	(71,743)	-	(577,524)
	<u>(4,157,050)</u>	<u>(596,508)</u>	<u>-</u>	<u>(4,753,558)</u>
Governmental activities assets	<u>\$ 12,583,734</u>	<u>\$ 1,242,245</u>	<u>\$ -</u>	<u>\$ 13,825,979</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 41,627
Public safety	55,285
Health and welfare	29,778
Recreation and culture	469,818
	<u>\$ 596,508</u>

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**Discretely Presented Component Units**

Capital asset activity of the component units for the year ended December 31, 2004 is as follows:

	Balance 12/31/03	Additions	Retirements	Balance 12/31/04
<b>Circuit Court:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 687,869	\$ -	\$ -	\$ 687,869
	<u>687,869</u>	<u>-</u>	<u>-</u>	<u>687,869</u>
Less accumulated depreciation:				
Buildings and improvements	(357,596)	(15,557)	-	(373,153)
	<u>(357,596)</u>	<u>(15,557)</u>	<u>-</u>	<u>(373,153)</u>
Net component unit assets	<u>\$ 330,273</u>	<u>\$ (15,557)</u>	<u>\$ -</u>	<u>\$ 314,716</u>

Depreciation expense was charged to functions/programs of the Circuit Court as follows:

Governmental activities:	
Judicial	<u>\$ 15,557</u>

	Balance 12/31/03	Additions	Retirements	Balance 12/31/04
<b>Family Division - Juvenile:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 260,000	\$ -	\$ -	\$ 260,000
Office and computer equipment	20,000	-	-	20,000
	<u>280,000</u>	<u>-</u>	<u>-</u>	<u>280,000</u>
Less accumulated depreciation:				
Buildings and improvements	(10,400)	(5,200)	-	(15,600)
Office and computer equipment	(14,000)	(1,000)	-	(15,000)
	<u>24,400</u>	<u>(6,200)</u>	<u>-</u>	<u>(30,600)</u>
Net component unit assets	<u>\$ 255,600</u>	<u>\$ (6,200)</u>	<u>\$ -</u>	<u>\$ 249,400</u>

Depreciation expense was charged to functions/programs of the Family Division - Juvenile as follows:

Governmental activities:	
Judicial	<u>\$ 6,200</u>



County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**Discretely Presented Component Units**

	Balance 12/31/03	Additions	Retirements	Balance 12/31/04
<b>Friend of the Court:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 687,869	\$ -	\$ -	\$ 687,869
	<u>687,869</u>	<u>-</u>	<u>-</u>	<u>687,869</u>
Less accumulated depreciation:				
Buildings and improvements	(357,596)	(15,557)	-	(373,153)
	<u>(357,596)</u>	<u>(15,557)</u>	<u>-</u>	<u>(373,153)</u>
Net component unit assets	<u>\$ 330,273</u>	<u>\$ (15,557)</u>	<u>\$ -</u>	<u>\$ 314,716</u>

Depreciation expense was charged to functions/programs of the Friend of the Court as follows:

Governmental activities:	
Judicial	<u>\$ 15,557</u>

	Balance 12/31/03	Additions	Retirements	Balance 12/31/04
<b>District Health:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 105,897	\$ 38,023	\$ -	\$ 143,920
Office and computer equipment	336,048	7,799	(28,226)	315,621
Vehicles	<u>104,824</u>	<u>-</u>	<u>-</u>	<u>104,824</u>
	<u>546,769</u>	<u>45,822</u>	<u>(28,226)</u>	<u>564,365</u>
Less accumulated depreciation:				
Buildings and improvements	(77,529)	(8,069)	-	(85,598)
Office and computer equipment	(280,929)	(18,877)	28,226	(271,580)
Vehicles	<u>(78,618)</u>	<u>(10,482)</u>	<u>-</u>	<u>(89,100)</u>
	<u>(437,076)</u>	<u>(37,428)</u>	<u>28,226</u>	<u>(446,278)</u>
Net component unit assets	<u>\$ 109,693</u>	<u>\$ 8,394</u>	<u>\$ -</u>	<u>\$ 118,087</u>

Depreciation expense was charged to functions/programs of the District Health as follows:

Governmental activities:	
Health and human services	<u>\$ 37,428</u>

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**Discretely Presented Component Units**

	Balance 12/31/03	Additions	Retirements	Balance 12/31/04
<b>Alpena County Road Commission:</b>				
Capital assets, being depreciated:				
Land	\$ 23,080	\$ -	\$ -	\$ 23,080
Land improvements	8,990,161	372,166	-	9,362,327
	<u>9,013,241</u>	<u>372,166</u>	<u>-</u>	<u>9,385,407</u>
Capital assets, being depreciated:				
Buildings and improvements	1,182,646	278,041	-	1,460,687
Machinery and equipment	4,232,210	298,528	(220,169)	4,310,569
Office and computer equipment	131,357	-	-	131,357
Infrastructure - roads	19,064,580	956,999	(535,400)	19,486,179
Infrastructure - bridges	3,918,925	19,964	-	3,938,889
Infrastructure - traffic signals	24,831	-	-	24,831
Depletable assets	146,235	-	-	146,235
	<u>28,700,784</u>	<u>1,553,532</u>	<u>(755,569)</u>	<u>29,498,747</u>
Less accumulated depreciation:				
Buildings and improvements	(596,658)	(26,021)	-	(622,679)
Machinery and equipment	(3,440,314)	(305,232)	220,169	(3,525,377)
Office and computer equipment	(101,527)	(8,633)	-	(110,160)
Infrastructure - roads	(7,200,508)	(1,103,099)	535,400	(7,768,207)
Infrastructure - bridges	(1,263,764)	(80,733)	-	(1,344,497)
Infrastructure - traffic signals	(17,505)	(1,656)	-	(19,161)
Depletable assets	(146,456)	-	-	(146,456)
	<u>(12,766,732)</u>	<u>(1,525,374)</u>	<u>755,569</u>	<u>(13,536,537)</u>
Net component unit assets	<u>\$ 24,947,293</u>	<u>\$ 400,324</u>	<u>\$ -</u>	<u>\$ 25,347,617</u>

Depreciation expense was charged to functions/programs of the Road Commission as follows:

Governmental activities:

Public works \$ 1,525,374

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**Discretely Presented Component Units**

	Balance 12/31/03	Additions	Retirements	Balance 12/31/04
<b>Alpena General Hospital:</b>				
Capital assets, being depreciated:				
Land and improvements	\$ 2,317,340	\$ 15,145	\$ -	\$ 2,332,485
Buildings and improvements	47,524,999	2,017,928	-	49,542,927
Office and computer equipment	27,294,840	4,385,949	(2,723,586)	28,957,203
	<u>77,137,179</u>	<u>6,419,022</u>	<u>(2,723,586)</u>	<u>80,832,615</u>
Less accumulated depreciation:				
Land and improvements	(891,274)	(96,102)	-	(987,376)
Buildings and improvements	(23,892,880)	(1,583,436)	-	25,476,316)
Office and computer equipment	(16,656,734)	(2,800,319)	2,580,313	(16,876,740)
	<u>(41,440,888)</u>	<u>(4,479,857)</u>	<u>2,580,313</u>	<u>(43,340,432)</u>
Net component unit assets	<u>\$ 35,696,291</u>	<u>\$ 1,939,165</u>	<u>\$ (143,273)</u>	<u>\$ 37,492,183</u>

Depreciation expense was charged to functions/programs of the Alpena General Hospital as follows:

Governmental activities:

Health and human services \$ 4,479,857

**NOTE 7--LEASES.**

The County is party to numerous operating leases. Minimum future rental payments under existing leases are not significant.

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8--LONG-TERM DEBT.**

Long-term debt of the County is as follows:

	Balances, Jan 01, 04	Additions	Deductions	Balances, Dec 31, 04
<b>PRIMARY GOVERNMENT</b>				
Alpena County Sanitary Sewage Unlimited Tax Refunding Bonds 3.4% to 5.0%	\$ 915,000	\$ -	\$ (180,000)	\$ 735,000
County of Alpena 1989 Series G.O. Refunding Bonds 7.05% to 7.50%	365,000	-	(105,000)	260,000
Alpena County Water Supply System #5 Bonds 7.10% to 7.50%	220,000	-	(50,000)	170,000
Alpena County Building Authority Bonds, Series 1998 4.75% to 4.95%	1,035,000	-	(90,000)	945,000
Alpena County Building Authority Bonds, Series 1999 4.20% to 5.60%	650,000	-	(65,000)	585,000
Alpena County Building Authority Bonds, Series 2001 3.50% to 5.00%	895,000	-	(50,000)	845,000
Alpena County Building Authority Bonds, Series 2002 3.50% to 4.50%	715,000	-	(120,000)	595,000
Alpena County Building Authority Commercial Loan 4.40%	-	101,856	(14,309)	87,547
Alpena County Building Authority Intergovernmental Loans 0.00%	-	112,500	(9,943)	102,557
	<u>4,795,000</u>	<u>214,356</u>	<u>(684,252)</u>	<u>4,325,104</u>

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

	Balances, Jan 01, 04	Additions	Deductions	Balances, Dec 31, 04
Installment Purchase Agreements				
Ford Motor Credit	\$ 46,484	\$ -	\$ (22,576)	\$ 23,908
FSG Software	-	21,355	(7,118)	14,237
Government Leasing Company	41,634	-	(15,624)	26,010
Government Leasing Company	26,820	-	(12,844)	13,976
Government Leasing Company	12,404	-	(12,404)	-
Government Leasing Company	19,180	-	(7,229)	11,951
Government Leasing Company	38,529	-	(13,129)	25,400
Team Software Group, Inc.	77,623	-	(27,405)	50,218
Verizon Credit, Inc.	81,937	-	(16,020)	65,917
Verizon Credit, Inc.	12,478	-	(9,266)	3,212
Verizon Credit, Inc.	16,963	-	(3,121)	13,842
Verizon Credit, Inc.	104,971	-	(21,274)	83,697
	<u>479,023</u>	<u>1,355</u>	<u>(168,010)</u>	<u>332,368</u>
Compensated absences	<u>317,073</u>	<u>236,249</u>	<u>(317,073)</u>	<u>236,249</u>
Total primary government	<u>\$ 5,591,096</u>	<u>\$ 471,960</u>	<u>\$(1,169,335)</u>	<u>\$ 4,893,721</u>

**COMPONENT UNITS**

Alpena General Hospital G.O. Improvement Bonds – 1999 4.80% to 4.88%	\$ 6,775,000	\$ -	\$ (275,000)	\$ 6,500,000
Alpena General Hospital G.O. Improvement Bonds – 2000 5.00% to 5.35%	5,425,000	-	(200,000)	5,225,000
Alpena General Hospital G.O. Improvement Bonds – 2003 3.57%	3,925,000	-	(730,000)	3,195,000
Alpena General Hospital Equipment notes payable 4.27%	-	1,128,035	-	1,128,035
	<u>16,125,000</u>	<u>1,128,035</u>	<u>(1,205,000)</u>	<u>16,048,035</u>
Compensated absences				
Road Commission	77,035	74,059	(77,035)	74,059
Health Department	538,115	522,655	(538,115)	522,655
	<u>615,150</u>	<u>596,714</u>	<u>(615,150)</u>	<u>596,714</u>
	<u>\$16,740,150</u>	<u>\$1,724,749</u>	<u>\$(1,820,150)</u>	<u>\$16,644,749</u>

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

	PRINCIPAL				TOTAL DEBT SERVICE PAYMENTS
	PRIMARY GOVERNMENT		COMPONENT UNITS		
	BONDS AND LOANS	PTO AND VACATION	BONDS AND LOANS	PTO AND VACATION	
2005	\$ 944,973	\$ 236,249	\$ 1,441,794	\$ 596,714	\$ 4,150,379
2006	735,714	-	1,525,799	-	3,095,486
2007	694,516	-	1,560,198	-	2,990,955
2008	608,833	-	1,650,005	-	2,896,308
2009	332,829	-	845,239	-	1,720,962
2010 through 2014	1,110,607	-	3,475,000	-	6,609,169
2015 through 2019	230,000	-	4,450,000	-	5,608,841
2020	-	-	1,100,000	-	1,142,831
Total	\$ 4,657,472	\$ 236,249	\$ 16,048,035	\$ 596,714	\$ 28,214,931

The Water and Sewage Bonds are contractual obligations with Alpena Township. These bonds are secured by special assessments levied against benefiting real property within these districts.

On December 1, 1992 the County of Alpena, on behalf of the Hospital, issued \$13,135,000 in refunding bonds for the purpose of advance refunding the \$13,020,000 outstanding principal of the General Obligation Hospital Improvement Refunding Bonds, dated June 1, 1985. The County has agreed to levy annually an ad valorem tax on the real property in the County to be used, together with the Hospital's contribution, for payment of debt service. The 1992 Refunding Bonds are not subject to redemption prior to maturity in 2002.

On March 1, 1998 the County of Alpena on behalf of the Alpena County Building Authority, issued \$1,360,000 in refunding bonds for the purpose of advance refunding the \$1,260,000 outstanding principal of the 1991 Building Authority Bonds, dated January 1, 1992. The proceeds of the 1998 issue are to be used to purchase obligations of the United States of America, the proceeds of such Government Obligations, together with the earnings will be used to pay principal and interest on the Refunded Bonds. The 1998 Refunding Bonds are not subject to redemption prior to maturity in 2006. As a result of the Bond Refunding the County experienced a net reduction in debt service payments of \$48,770.

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

On January 1, 1994, the County of Alpena, on behalf of the City, issued \$2,705,000 in General Obligation Bonds with an average interest rate of 4.55 percent to advance refund \$2,475,000 of outstanding 1978 Series Bonds with an average interest rate of 6.55 percent. The net proceeds of \$2,608,436 (after payment of \$86,533 in underwriting fees, insurance, and other costs, plus \$10,031 in bond discounts) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1978 Series bonds. As a result, the 1978 Series bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group.

The City advance refunded the 1978 Series bonds to reduce its total debt service payments over the next 15 years by \$173,068 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$130,185.

**NOTE 9--FUND EQUITY RESERVATIONS AND DESIGNATION.**

Of the various funds at December 31, 2004 fund equity reservations and designation are as follows:

Fund

General Fund

Replace/acquire building and land reserve	\$ 30,000
Roof replacement reserve	20,000
F.I.A. loan reserve	44,000
Technology reserve	1,375
Reserved for pending obligations	42,957

Special Revenue Funds

Housing Fund

Reserved for mortgage loans receivable	2,206,456
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Airport

Designated for maintenance	6,315
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Northern Lights Arena

Designated for capital outlay	4,174
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Older persons fund

Designated for repairs and replacement	42,937
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Parks

Designated for wood harvesting	60,000
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Debt Service Funds

Designated for debt service	138,703
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Capital Projects Funds

Designated for capital outlay	138,053
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Component Units

Road Commission

Reserved for primary road expenditures	1,934,250
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Alpena General Hospital

Reserved for donor restrictions	1,767,003
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County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10--PROPERTY TAXES.**

The County's property tax is levied and due each December 1 based on the taxable value determined as of December 31 of the preceding year for all taxable real and personal property located in the County. On December 1, the property tax attachment is an enforceable lien on the property and is payable, without penalty, by the 14th of the following February. Taxable values are established annually by the County Assessor. Beginning with the 1995 tax year, State Proposal "A" changed the way property taxes were computed. Under Proposal "A", the County Assessor determines the assessed value of a property, which is 50% of the current market value. However, the taxable value of a property cannot increase more than 5% or the rate of inflation annually, whichever is less. Therefore, over time, the taxable value will normally be less than the assessed value. However, when a property is sold, the accumulated effect of the above capping is erased and the assessed value constitutes the basis (taxable value) for the next property tax cycle.

Real and personal property in the County for the 2004 levy was assessed at true cash value of \$2,047,137,563 with a taxable value of \$1,052,100,279. The County general operating rate is currently 4.8275 mills (limited to 15 mills) with an additional .9863, .7500, .9000, and .5424 mills voted for the Hospital, Library, Ambulance, and Older Persons. These amounts are recognized in the respective General, Special Revenue and Debt Service Fund financial statements as taxes receivable, with an offsetting credit to unearned revenue.

Public Act 357 of 2004 provides a funding mechanism to serve as a substitute to state revenue sharing paid to counties. Beginning in 2005 a shift of county property tax millage from a winter tax levy to a summer tax levy will occur. In addition, the Act required the establishment of the Revenue Sharing Reserve Fund. Property taxes are recognized in the financial statements as taxes receivable and property tax revenue in 2004.

By agreement with various taxing authorities, the County purchases at face value the real property taxes receivable returned delinquent each March 1. These receivables, together with interest and administration fees collected, are paid to the County's Delinquent Tax Revolving Fund, which advanced the money used to liquidate amounts due the General Fund, various other funds, other governmental units, and to provide funds for current operations. Taxes receivable of \$1,921,483 at March 1, 2005 and \$1,825,157 at March 1, 2004, were purchased by the County using the cash reserves of its Delinquent Tax Revolving Fund.

**NOTE 11--DEFERRED COMPENSATION PLAN.**

Alpena County offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account annuity contract) as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer (Alpena County) for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provision of GASB Statement No. 32, plan balances and activities are not reflected in the Alpena County financial statements.

**NOTE 12--EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS.**

**Description of Retirement Plan and Plan Assets**

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.00 to 2.50 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2002.



County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

**Funding Policy**

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate; the current rate was 13.41 percent at December 31, 2003.

**Annual Pension Cost**

During the fiscal year ended December 31, 2004, the County's contributions totaling \$381,216 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 1998. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

**Three Year Trend Information for GASB Statement No. 27**

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2001	\$ 339,566	100%	\$ 0
2002	374,947	100%	0
2002	380,972	100%	0

**Required Supplementary Information for  
GASB Statement No. 27**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/01	\$ 7,698,909	\$ 9,295,890	\$ 1,596,981	82.8%	\$ 3,163,042	50.4%
12/31/02	7,999,896	10,567,336	2,567,440	75.0%	3,296,589	78.0%
12/31/03	8,655,573	11,069,544	2,413,971	78.0%	3,362,727	72.0%

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

**Component Unit Retirement Disclosures**

The Alpena County Road Commission and the District Health Department No. 4 participate in the Michigan Municipal Employees Retirement System, a multiple employer defined benefit pension plan, administered by the State of Michigan. The following table presents the relevant information for each plan:

	Actuarial Accrued Liability	Actuarial Value of Assets
Alpena County Road Commission	\$ 7,764,676	\$ 7,127,445
District Health Department No. 4	9,793,896	7,785,915

**Postretirement Benefits.** The County of Alpena offers no postemployment benefits to its retirees. However, retirees can continue coverage with the County's health care insurance at their own expense.

**NOTE 13--CONTINGENCIES, CLAIMS, AND LITIGATION.**

There are various legal actions pending against the County. Due to the inconclusive nature of these actions, it is not possible for the County to determine the probable outcome of these actions nor provide a reasonable estimate of the County's potential liability, if any. The County believes that it has sufficient insurance coverage to provide for possible losses resulting from the unfavorable outcome of any litigation.

**NOTE 14--RISK MANAGEMENT.**

The County is exposed to various risks of loss related to property loss, torts, errors, and omissions, employee injuries, unemployment benefits, as well as medical and workman's compensation benefits provided to employees. The County has purchased commercial insurance for fleet equipment and tort claims, boiler and machinery, certain property and equipment damage and theft, employee theft, and limited tort claims for specific County facilities or events.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverages obtained through commercial insurance during the past year. The County pays unemployment claims on a reimbursement basis.

**NOTE 15--JOINT VENTURES.**

In February 1998, the County of Alpena joined Montmorency County and Oscoda County in creating the *Montmorency-Oscoda-Alpena Solid Waste Management Authority* in accordance of Act No. 223 of the Public Acts of 1955 of the State of Michigan.

This authority manages a landfill located in Montmorency County and is governed by a six person board, with two representatives for each county.

Annually each County has been asked to use their annual financial statements to assure the unfunded portion of the Closure and Post Closure cost. That Closure cost balance on December 31, 2004 is \$3,260,937, with certificates of deposit and other investments amounting to \$1,804,911 of that balance.

County of Alpena

**NOTES TO FINANCIAL STATEMENTS**

The County has no significant influence over the management of the authority and that is why they are not included in the County's Annual financial report.

The County Treasurer maintains the financial records at the Montmorency County Court House and the office number is 989-785-8086.

In January 2000, the County joined Montmorency County in forming the North East *Michigan Recycling Alliance Authority*, under Act No. 223 of the Public Acts of 1955 of the State of Michigan.

The authority manages a transfer station and recycling facility on West M-32 in Wilson Township in Alpena County. It is governed by a six person board, with three representatives from each County.

The County has no significance influence over the management of the authority and that is why they are not included in the County's Annual financial report.

Its legal office is the Treasurer's Office in Montmorency County, but its financial office is located at the Alpena Soil Conservation District Office located at 1900 W. M-32, Alpena, Michigan and the office number if 989-356-6038.

County of Alpena

**STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES - BUDGET AND ACTUAL  
MAJOR FUNDS**

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget Favorable (Unfavorable)
<b>General Fund</b>				
Budgetary fund balance, January 1, 2004	\$ 1,217,935	\$ 1,217,935	\$ 1,217,935	\$ -
Resources (inflows):				
Taxes	3,744,010	3,728,907	3,729,305	398
Licenses and permits	20,450	21,050	21,181	131
Federal grants	66,138	387,992	100,058	(287,934)
State grants	1,422,382	1,297,930	1,291,449	(6,481)
Charges for service	1,306,454	1,170,396	1,174,672	4,276
Fines and forfeitures	100,500	84,800	84,859	59
Interest and rents	47,000	50,600	50,649	49
Other revenue	658,020	637,228	599,020	(38,208)
Operating transfers from other funds	286,788	379,244	376,769	(2,475)
Amounts available for appropriation	8,869,677	8,976,082	8,645,897	(330,185)
<b>EXPENDITURES</b>				
Legislative	181,884	177,459	170,144	7,315
Judicial	1,383,394	1,347,137	1,340,933	6,204
General government	2,795,880	2,885,305	2,833,869	51,436
Public safety	1,962,663	2,306,887	1,984,372	322,515
Public works	985	985	666	319
Health and welfare	341,195	379,416	365,643	13,773
Community and economic development	17,053	18,113	17,725	388
Other	355,338	317,951	316,952	999
Operating transfers to other funds	662,611	660,054	660,054	-
Total charges to appropriations	7,701,003	8,093,307	7,690,358	402,949
Budgetary fund balance, December 31, 2004	<u>\$ 1,168,674</u>	<u>\$ 882,775</u>	<u>\$ 955,539</u>	<u>\$ 72,764</u>

County of Alpena

**STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES - BUDGET AND ACTUAL  
MAJOR FUNDS**

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget Favorable (Unfavorable)
<b>Airport Fund</b>				
Budgetary fund balance, January 1, 2004	\$ 16,959	\$ 16,959	\$ 16,959	\$ -
Resources (inflows):				
Property taxes	-	-	-	-
Federal grants	97,500	825,821	785,821	-
State grants	14,000	14,000	17,667	3,667
Charges for service	92,000	92,000	94,793	2,793
Interest and rents	161,780	157,780	148,471	(9,309)
Other	41,723	43,494	21,101	-
Operating transfers from other funds	13,172	32,943	47,943	-
Amounts available for appropriation	423,962	1,150,054	1,132,755	(2,849)
<b>EXPENDITURES</b>				
Recreation and cultural	439,121	1,150,054	1,122,808	27,246
Total charges to appropriations	439,121	1,150,054	1,122,808	27,246
Budgetary fund balance, December 31, 2004	\$ (15,159)	\$ -	\$ 9,947	\$ 24,397
<b>Ambulance Fund</b>				
Budgetary fund balance, January 1, 2004	\$ 16,959	\$ 16,959	\$ 729,302	\$ -
Resources (inflows):				
Property taxes	747,217	684,287	681,433	-
Federal grants	60,000	60,000	57,896	-
State grants	17,618	16,118	15,242	(876)
Interest and rents	6,500	6,500	10,972	4,472
Other	50	50	285	-
Amounts available for appropriation	848,344	783,914	1,495,130	3,596
<b>EXPENDITURES</b>				
Public safety	804,211	854,203	692,767	161,436
Total charges to appropriations	804,211	854,203	692,767	161,436
Budgetary fund balance, December 31, 2004	\$ 44,133	\$ (70,289)	\$ 802,363	\$ 165,032

County of Alpena

**STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES - BUDGET AND ACTUAL  
MAJOR FUNDS**

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget Favorable (Unfavorable)
<b>Housing Fund</b>				
Budgetary fund balance, January 1, 2004	\$ 140,255	\$ 140,255	\$ 140,255	\$ -
Resources (inflows):				
Federal grants	100,000	100,000	75,000	(25,000)
Charges for service	140,000	140,000	125,224	(14,776)
Interest and rents	5,000	5,000	-	(5,000)
Other	-	-	23,375	23,375
Amounts available for appropriation	385,255	385,255	363,854	(21,401)
<b>EXPENDITURES</b>				
Health and welfare	217,673	385,255	307,497	77,758
Total charges to appropriations	217,673	385,255	307,497	77,758
Budgetary fund balance, December 31, 2004	<u>\$ 167,582</u>	<u>\$ -</u>	<u>\$ 56,357</u>	<u>\$ 56,357</u>
<b>Library</b>				
Budgetary fund balance, January 1, 2004	\$ 229,950	\$ 229,950	\$ 229,950	\$ -
Resources (inflows):				
Property taxes	567,101	567,101	558,111	(8,990)
State grants	34,808	34,808	48,155	13,347
Charges for services	16,500	16,500	19,515	3,015
Fines and forfeitures	155,000	155,000	169,942	14,942
Interest and rents	8,000	8,000	5,455	(2,545)
Other	53,304	53,304	136,266	82,962
Amounts available for appropriation	1,064,663	1,064,663	1,167,394	102,731
<b>EXPENDITURES</b>				
Recreation and culture	1,015,213	1,021,313	825,287	196,026
Total charges to appropriations	1,015,213	1,021,313	825,287	196,026
Budgetary fund balance, December 31, 2004	<u>\$ 49,450</u>	<u>\$ 43,350</u>	<u>\$ 342,107</u>	<u>\$ 298,757</u>

County of Alpena

**STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES - BUDGET AND ACTUAL  
MAJOR FUNDS**

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget Favorable (Unfavorable)
<b>Revenue Sharing Reserve</b>				
Budgetary fund balance, January 1, 2004	\$ -	\$ -	\$ -	\$ -
Property taxes	-	1,067,671	1,067,671	-
Amounts available for appropriation	-	1,067,671	1,067,671	-
<b>EXPENDITURES</b>				
Operating transfers to other funds	-	237,430	237,430	-
Total charges to appropriations	-	237,430	237,430	-
Budgetary fund balance, December 31, 2004	<u>\$ -</u>	<u>\$ 830,241</u>	<u>\$ 830,241</u>	<u>\$ -</u>
<b>Alpena General Hospital Capital Project</b>				
Budgetary fund balance, January 1, 2004	\$ 2,187	\$ 2,187	\$ 2,187	\$ -
Property taxes	753,347	753,347	750,796	(2,551)
State grants	19,400	17,708	16,748	(960)
Other	-	-	3,814	3,814
Amounts available for appropriation	<u>774,934</u>	<u>773,242</u>	<u>773,545</u>	<u>303</u>
<b>EXPENDITURES</b>				
Health and welfare	<u>771,005</u>	<u>771,168</u>	<u>770,394</u>	<u>774</u>
Total charges to appropriations	<u>771,005</u>	<u>771,168</u>	<u>770,394</u>	<u>774</u>
Budgetary fund balance, December 31, 2004	<u>\$ 3,929</u>	<u>\$ 2,074</u>	<u>\$ 3,151</u>	<u>\$ 1,077</u>

County of Alpena

**STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES - BUDGET AND ACTUAL  
MAJOR FUNDS**

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget Favorable (Unfavorable)
<b>Building Authority Capital Project</b>				
Budgetary fund balance, January 1, 2004	\$ 823,526	\$ 823,526	\$ 823,526	\$ -
State grants	-	-	50,000	50,000
Interest and rents	1,000	1,000	4,007	3,007
Donations	867,000	867,000	60,215	(806,785)
Amounts available for appropriation	1,691,526	1,691,526	937,748	(753,778)
<b>EXPENDITURES</b>				
Recreation and culture	866,000	866,000	932,751	(66,751)
Total charges to appropriations	866,000	866,000	932,751	(66,751)
Budgetary fund balance, December 31, 2004	<u>\$ 825,526</u>	<u>\$ 825,526</u>	<u>\$ 4,997</u>	<u>\$ (820,529)</u>



County of Alpena

General Fund

**COMPARATIVE BALANCE SHEET**

	December 31	
	2004	2003
<b>ASSETS</b>		
Cash and cash equivalents	\$ 484,929	\$ 453,804
Investments	307,746	547,953
Receivables		
Taxes	3,203,014	3,075,966
Interest and accounts receivable	1,051	24,428
Due from other governmental units	113,347	219,216
Due from other funds	912,837	696,046
Total assets	<u>\$ 5,022,924</u>	<u>\$ 5,017,413</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Accounts payable	\$ 120,941	\$ 45,079
Accrued payroll and withholdings	90,714	69,888
Deferred revenue	3,844,235	3,684,511
Total liabilities	<u>4,055,890</u>	<u>3,799,478</u>
Fund Balances		
Unreserved		
Designated	138,332	138,332
Undesignated	828,702	1,079,603
Total fund balance	<u>967,034</u>	<u>1,217,935</u>
Total liabilities and fund balance	<u>\$ 5,022,924</u>	<u>\$ 5,017,413</u>

County of Alpena

General Fund

**COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL**

	Year Ended December 31, 2004			
	Budgeted Amounts		Actual	2003
	Original	Amended	Amounts	Actual
<b>REVENUES</b>				
<b>TAXES</b>				
Property Taxes	\$ 3,691,010	\$ 3,675,200	\$ 3,675,510	\$ 3,578,468
Others	53,000	53,707	53,795	54,028
	<u>3,744,010</u>	<u>3,728,907</u>	<u>3,729,305</u>	<u>3,632,496</u>
<b>LICENSES AND PERMITS</b>				
Licenses and Permits	<u>20,450</u>	<u>21,050</u>	<u>21,181</u>	<u>19,413</u>
<b>FEDERAL GRANTS</b>				
IV-D Cooperative Reimbursement	46,138	46,138	43,382	36,636
Emergency Management	11,000	11,700	11,795	11,034
Community Emergency Response	-	71,675	-	-
Homeland Security	-	196,029	8,038	-
Solution Area Planner	-	34,000	15,692	-
W.M.D. Exercise	9,000	28,450	21,151	-
D.A.R.E.	-	-	-	22,000
	<u>66,138</u>	<u>387,992</u>	<u>100,058</u>	<u>69,670</u>
<b>STATE GRANTS</b>				
Single Business Tax	86,665	81,960	81,960	97,853
State Income Tax	510,000	365,316	365,316	531,225
Judicial Payments	133,294	152,594	152,624	147,846
Probate Court	94,195	101,595	101,689	101,633
State Court Fund	185,843	208,861	208,861	194,956
Secondary Road Patrol	80,089	80,089	80,089	68,546
Parent Education	32,616	8,347	8,347	27,292
Liquor and Convention Facilities Tax	131,520	129,156	129,156	127,542
Cigarette Tax	40,106	18,006	18,006	64,058
State Survey and Remonumentation	40,442	53,062	53,062	42,167
Victims Rights	42,600	35,700	35,773	24,719
D.N.R. Safety	19,620	11,420	11,504	14,921
Household Hazardous Waste Collection	-	29,060	29,158	13,008
Others	25,392	22,764	15,904	26,685
	<u>1,422,382</u>	<u>1,297,930</u>	<u>1,291,449</u>	<u>1,482,451</u>

(continued)

County of Alpena

General Fund

**COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL - continued**

	Year Ended December 31, 2004			
	Budgeted Amounts		Actual	2003
	Original	Amended	Amounts	Actual
REVENUES - continued				
CHARGES FOR SERVICES				
District Court	\$ 396,000	\$ 353,400	\$ 353,509	\$ 367,298
Circuit Court	110,300	85,800	86,378	87,887
Friend of the Court	150,000	115,000	117,606	-
Probate Court	18,200	16,700	16,734	15,235
Probation Enhancement	1,200	1,200	1,206	-
Clerk	55,000	68,100	68,146	57,236
Property Transfer Fees	85,000	92,500	92,576	94,053
Register of Deeds	230,000	213,700	213,794	235,788
Sheriff	226,404	190,518	191,040	339,962
Treasurer	12,000	10,200	10,266	11,567
Others	22,350	23,278	23,417	17,078
	1,306,454	1,170,396	1,174,672	1,226,104
FINES AND FORFEITURES	100,500	84,800	84,859	98,171
INTEREST AND RENTS				
Interest Earned	45,000	47,100	47,149	41,520
Rents	2,000	3,500	3,500	87,977
	47,000	50,600	50,649	129,497
OTHER REVENUE				
Central Service Reimbursements	245,037	124,185	124,260	15,800
Reimbursements and Refunds	412,983	513,043	474,760	481,237
	658,020	637,228	599,020	497,037
TOTAL REVENUES	7,364,954	7,378,903	7,051,193	7,154,839
TRANSFERS IN				
Delinquent Tax Payment	265,288	257,744	257,744	274,591
Budget Stabilization	-	100,000	100,000	-
Child Care - F.I.A.	1,500	1,500	1,338	-
Family Independence Agency	20,000	20,000	17,687	-
	286,788	379,244	376,769	274,591
Total revenues and transfers in	7,651,742	7,758,147	7,427,962	7,429,430

County of Alpena

General Fund

**COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL**

	Year Ended December 31, 2004			
	Budgeted Amounts		Actual	2003
	Original	Amended	Amounts	Actual
<b>EXPENDITURES</b>				
<b>LEGISLATIVE</b>				
Board of Commissioners	\$ 181,884	\$ 177,459	\$ 170,144	\$ 178,558
<b>JUDICIAL</b>				
District Court	509,873	497,218	495,305	508,232
Circuit Court	367,580	367,580	367,580	359,288
Friend of the Court	111,171	111,171	111,171	147,969
Probate Court	273,043	268,754	265,648	272,576
Probation enhancement	5,000	5,100	5,030	8,589
Public Guardian	26,542	28,129	27,095	26,285
Community Dispute Resolution	25,000	-	-	45,226
Regional Community Correction	-	4,000	3,919	-
Family Division - Juvenile	65,185	65,185	65,185	86,490
B.A.R.J. Initiative	-	-	-	9,996
	1,383,394	1,347,137	1,340,933	1,464,651
<b>GENERAL GOVERNMENT</b>				
Coordinator	76,652	83,042	81,240	84,970
Elections	42,038	32,241	32,056	605
Board of Canvassers	1,191	981	950	-
County General	65,500	84,250	83,457	61,241
Clerk	202,251	215,043	208,721	201,972
Equalization	207,593	221,504	219,074	205,041
Prosecuting Attorney	336,829	368,702	366,840	344,961
IV-D Cooperative Reimbursement	70,236	62,892	51,234	54,192
Register of Deeds	177,715	183,089	180,933	181,206
State Survey and Remonumentation	40,442	37,262	35,521	39,362
Treasurer	215,142	215,656	208,809	213,360
Building Authority	259,308	259,308	258,788	256,836
Building and Grounds	646,105	673,316	669,082	653,686
Social Services Building	69,239	71,407	70,427	69,358
Drain Commissioner	11,845	13,811	12,654	11,574
MSU Cooperative Extension	75,431	65,625	64,349	72,322
MSU Parent Educator	32,794	6,655	6,652	24,946
Data Processing	265,569	290,521	283,082	263,700
	2,795,880	2,885,305	2,833,869	2,739,332
<b>PUBLIC WORKS</b>				
Department of Public Works	985	985	666	963

(continued)

County of Alpena

General Fund

**COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL - continued**

	Year Ended December 31, 2004			
	Budgeted Amounts		Actual	2003
	Original	Amended	Amounts	Actual
<b>EXPENDITURES (Continued)</b>				
<b>PUBLIC SAFETY</b>				
Sheriff Department / Jail	\$ 1,625,455	\$ 1,676,813	\$ 1,665,574	\$ 1,619,204
H.U.N.T. Program	27,754	32,418	32,220	27,716
Secondary Road Patrol Program	83,208	76,237	48,211	68,234
D.A.R.E. Progam	-	-	-	27,582
D.N.R. Safety Program	36,873	3,991	3,319	8,492
School Liaison Program	52,791	57,842	54,695	43,076
Victims Rights Services	42,600	50,787	42,083	29,652
Office of Emergency Preparation	52,067	40,021	37,825	43,598
Livestock Damage	100	100	-	-
Ordinance Enforcement Officer	41,815	45,869	43,311	41,020
Community Emergency Response	-	71,675	4,513	-
Solution Area Planner	-	34,000	20,923	-
Exercise Grant	-	21,105	9,955	-
Training Grant	-	37,232	20,156	-
Homeland Security	-	158,797	1,587	-
	<u>1,962,663</u>	<u>2,306,887</u>	<u>1,984,372</u>	<u>1,908,574</u>
<b>HEALTH AND WELFARE</b>				
Communicable Disease	700	1,000	891	67
Medical Examiner	43,230	33,830	32,146	48,317
State Institutions-Mental	48,000	47,500	47,215	38,549
District Health	150,000	150,000	150,000	147,554
Northeast Michigan Mental Health	47,368	94,737	94,737	94,737
Veterans Burials	9,750	6,850	6,241	6,820
Veterans Counselor	35,147	38,499	34,413	34,605
MI Department AG-Clean Sweep Project	7,000	7,000	-	3,352
Household Hazardous Waste Collection	-	-	-	42,167
	<u>341,195</u>	<u>379,416</u>	<u>365,643</u>	<u>416,168</u>
<b>COMMUNITY AND ECONOMIC DEVELOPMENT</b>				
Planning Commission	<u>17,053</u>	<u>18,113</u>	<u>17,725</u>	<u>19,353</u>
<b>OTHER CURRENT OPERATIONS</b>				
Contingency	64,073	-	-	-
Associations and Community Groups	276,159	299,845	298,943	356,924
Other	15,106	18,106	18,009	23,833
	<u>355,338</u>	<u>317,951</u>	<u>316,952</u>	<u>380,757</u>
<b>TOTAL EXPENDITURES</b>	<b>7,038,392</b>	<b>7,433,253</b>	<b>7,030,304</b>	<b>7,108,356</b>

County of Alpena

General Fund

**COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL**

	Year Ended December 31, 2004			
	Budgeted Amounts		Actual	2003
	Original	Amended	Amounts	Actual
<b>TRANSFERS OUT</b>				
Airport	\$ 42,943	\$ 47,943	\$ 47,943	\$ 76,611
Buildings/ grounds maintenance	-	-	-	28,060
Budget stabilization	-	-	-	5,000
Child care - F.I.A.	2,000	2,000	2,000	2,000
Child care - probate	422,899	401,507	401,507	363,782
Equipment fund	126,803	126,803	126,803	139,935
Family independence agency	24,000	24,000	24,000	24,000
Law library	14,011	12,400	12,400	12,427
Parks and Recreation	19,554	10,000	10,000	20,000
Plaza pool	10,401	35,401	35,401	10,341
	<u>662,611</u>	<u>660,054</u>	<u>660,054</u>	<u>682,156</u>
Total expenditures and transfers out	<u>7,701,003</u>	<u>8,093,307</u>	<u>7,690,358</u>	<u>7,790,512</u>
<b>EXCESS OF REVENUES AND TRANSFERS OVER (UNDER) EXPENDITURES AND TRANSFERS (BUDGETARY BASIS)</b>				
	<u>\$ (49,261)</u>	<u>\$ (335,160)</u>	(262,396)	(361,082)
<b>ADJUSTMENTS</b>				
To adjust revenues for interest and tax accruals and deferrals			108,515	133,391
To adjust expenditures for accrual of payables			<u>(97,020)</u>	<u>5,740</u>
<b>EXCESS OF REVENUES AND TRANSFERS OVER (UNDER) EXPENDITURES AND TRANSFERS (GAAP BASIS)</b>				
			\$ (250,901)	\$ (221,951)

County of Alpena

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2004

	Budget Stabilization	Child Care F.I.A.	Child Care Probate	Corrections Training
<b>ASSETS</b>				
Cash and cash equivalents	\$ 118,096	\$ 660	\$ 95,074	\$ 6,961
Investments	12,432	-	-	-
Receivables				
Taxes	-	-	-	-
Interest and accounts receivable	8	-	-	-
Loans	-	-	-	-
Inventory	-	-	-	-
Due from other governmental units	-	-	47,778	-
Due from other funds	-	-	-	-
	<u>\$ 130,536</u>	<u>\$ 660</u>	<u>\$ 142,852</u>	<u>\$ 6,961</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable	\$ -	\$ -	\$ 27,089	\$ 784
Accrued payroll and withholdings	-	-	-	-
Due to other funds	-	-	-	-
Advances payable	-	-	-	-
Deferred revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>27,089</u>	<u>784</u>
Fund equity				
Fund balances				
Reserved	-	-	-	-
Unreserved				
Designated	-	-	-	-
Undesignated	130,536	660	115,763	6,177
	<u>130,536</u>	<u>660</u>	<u>115,763</u>	<u>6,177</u>
	<u>\$ 130,536</u>	<u>\$ 660</u>	<u>\$ 142,852</u>	<u>\$ 6,961</u>

<u>Criminal Justice</u>	<u>Drug Law Enforcement</u>	<u>Enhanced 911</u>	<u>Family Counseling</u>	<u>F.I.A.</u>	<u>H.U.N.T.</u>
\$ 5,398	\$ 3,236	\$ 119,342	\$ 61,408	\$ 71,607	\$ 178,684
-	-	-	-	-	-
-	-	-	-	-	-
-	-	42,297	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	25,063	45	13,634	5,042
-	-	-	-	-	-
<u>\$ 5,398</u>	<u>\$ 3,236</u>	<u>\$ 186,702</u>	<u>\$ 61,453</u>	<u>\$ 85,241</u>	<u>\$ 183,726</u>
\$ -	\$ 1,192	\$ 7,425	\$ 1,710	\$ -	\$ 23,988
-	-	13,730	-	-	-
-	-	-	-	-	-
-	-	-	-	62,000	-
-	-	-	-	-	-
<u>-</u>	<u>1,192</u>	<u>21,155</u>	<u>1,710</u>	<u>62,000</u>	<u>23,988</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>5,398</u>	<u>2,044</u>	<u>165,547</u>	<u>59,743</u>	<u>23,241</u>	<u>159,738</u>
<u>5,398</u>	<u>2,044</u>	<u>165,547</u>	<u>59,743</u>	<u>23,241</u>	<u>159,738</u>
<u>\$ 5,398</u>	<u>\$ 3,236</u>	<u>\$ 186,702</u>	<u>\$ 61,453</u>	<u>\$ 85,241</u>	<u>\$ 183,726</u>



County of Alpena

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2004

	Law Library	Northern Lights Arena	Older Persons Act	Parks
<b>ASSETS</b>				
Cash and cash equivalents	\$ 512	\$ 5,511	\$ 113,287	\$ 134,930
Investments	-	-	-	-
Receivables				
Taxes	-	-	431,924	-
Interest and accounts receivable	-	25,985	175	387
Loans	-	-	-	-
Inventory	-	4,913	-	-
Due from other governmental units	-	-	-	-
Due from other funds	-	-	-	-
	<u>\$ 512</u>	<u>\$ 36,409</u>	<u>\$ 545,386</u>	<u>\$ 135,317</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable	\$ -	\$ 28,381	\$ 17,297	\$ -
Accrued payroll and withholdings	-	3,387	-	-
Due to other funds	-	-	-	-
Advances payable	-	38,165	-	-
Deferred revenue	-	-	431,924	-
	<u>-</u>	<u>69,933</u>	<u>449,221</u>	<u>-</u>
Fund equity				
Fund balances				
Reserved	-	-	-	-
Unreserved				
Designated	-	4,174	42,937	60,000
Undesignated	512	(37,698)	53,228	75,317
	<u>512</u>	<u>(33,524)</u>	<u>96,165</u>	<u>135,317</u>
	<u>\$ 512</u>	<u>\$ 36,409</u>	<u>\$ 545,386</u>	<u>\$ 135,317</u>

Plaza Pool	Register of Deeds Automation	Veterans Trust	Building Authority Debt	EPA Sewer # 5	1989 Water / Sewer Bond	EPA Water # 5
\$ 3,589	\$ 25,679	\$ 77	\$ 138,703	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 3,589</u>	<u>\$ 25,680</u>	<u>\$ 77</u>	<u>\$ 138,703</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 1,724	\$ -	\$ -	\$ -	\$ -	\$ -
1,531	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,531</u>	<u>1,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	138,703	-	-	-
2,058	23,956	77	-	-	-	-
<u>2,058</u>	<u>23,956</u>	<u>77</u>	<u>138,703</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,589</u>	<u>\$ 25,680</u>	<u>\$ 77</u>	<u>\$ 138,703</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

County of Alpena

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2004

	Alpena Area Recreation	Equipment	Total Non-Major Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 138,620	\$ 1,221,374
Investments	-	-	12,432
Receivables			
Taxes	-	-	431,924
Interest and accounts receivable	-	3	68,856
Loans	-	-	-
Inventory	-	-	4,913
Due from other governmental units	-	-	91,562
Due from other funds	-	-	-
	<u>\$ -</u>	<u>\$ 138,623</u>	<u>\$ 1,831,061</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable	\$ -	\$ 8,718	\$ 118,308
Accrued payroll and withholdings	-	-	18,648
Due to other funds	-	-	-
Advances payable	-	-	100,165
Deferred revenue	-	-	431,924
	<u>-</u>	<u>8,718</u>	<u>669,045</u>
Fund equity			
Fund balances			
Reserved	-	-	-
Unreserved			
Designated	-	129,905	375,719
Undesignated	-	-	786,297
	<u>-</u>	<u>129,905</u>	<u>1,162,016</u>
	<u>\$ -</u>	<u>\$ 138,623</u>	<u>\$ 1,831,061</u>

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County of Alpena

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2004

	Budget Stabilization	Child Care F.I.A.	Child Care Probate	Criminal Justice
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal grants	-	-	-	-
State grants	-	-	290,394	7,646
Other intergovernmental revenue	-	-	-	-
Charges for service	-	-	27,692	-
Fines and forfeitures	-	-	-	-
Interest and rents	2,340	-	275	-
Other revenue	-	-	-	-
Total revenues	<u>2,340</u>	<u>-</u>	<u>318,361</u>	<u>7,646</u>
<b>EXPENDITURES</b>				
Current				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	2,248
Health and welfare	-	3,142	640,057	-
Recreation and cultural	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>-</u>	<u>3,142</u>	<u>640,057</u>	<u>2,248</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,340</u>	<u>(3,142)</u>	<u>(321,696)</u>	<u>5,398</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term debt	-	-	-	-
Operating transfers in	-	3,742	401,507	-
Operating transfers (out)	(100,000)	(1,338)	(1,742)	-
	<u>(100,000)</u>	<u>2,404</u>	<u>399,765</u>	<u>-</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(97,660)	(738)	78,069	5,398
<b>FUND BALANCES, beginning of the year</b>	<u>228,196</u>	<u>1,398</u>	<u>37,694</u>	<u>-</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 130,536</u>	<u>\$ 660</u>	<u>\$ 115,763</u>	<u>\$ 5,398</u>

Local Law Enforcement	Drug Enforcement	Enhanced 911	Family Counseling	F.I.A.	H.U.N.T.
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	4,143	-	-
-	-	-	-	-	144,053
-	-	-	-	255,199	-
-	-	-	-	-	67,371
9,327	-	623,782	-	14,266	-
-	-	-	-	-	-
-	-	1,485	-	-	652
-	-	2,707	-	-	94,894
<u>9,327</u>	<u>-</u>	<u>627,974</u>	<u>4,143</u>	<u>269,465</u>	<u>306,970</u>
-	-	-	-	-	-
-	-	-	-	-	-
3,150	1,192	636,343	-	-	318,111
-	-	-	1,710	277,064	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,150</u>	<u>1,192</u>	<u>636,343</u>	<u>1,710</u>	<u>277,064</u>	<u>318,111</u>
<u>6,177</u>	<u>(1,192)</u>	<u>(8,369)</u>	<u>2,433</u>	<u>(7,599)</u>	<u>(11,141)</u>
-	-	-	-	-	-
-	-	-	-	24,000	-
-	-	-	-	(17,687)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,313</u>	<u>-</u>
6,177	(1,192)	(8,369)	2,433	(1,286)	(11,141)
-	3,236	173,916	57,310	24,527	170,879
<u>\$ 6,177</u>	<u>\$ 2,044</u>	<u>\$ 165,547</u>	<u>\$ 59,743</u>	<u>\$ 23,241</u>	<u>\$ 159,738</u>

County of Alpena

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2004

	Law Library	Northern Lights Arena	Older Persons	Parks
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 422,129	\$ -
Licenses and permits	-	-	-	-
Federal grants	-	-	-	-
State grants	-	-	-	-
Other intergovernmental revenue	-	-	-	-
Charges for service	-	507,736	-	115,625
Fines and forfeitures	3,500	-	-	-
Interest and rents	-	38	3,403	7,175
Other revenue	-	41,155	-	5,876
Total revenues	<u>3,500</u>	<u>548,929</u>	<u>425,532</u>	<u>128,676</u>
<b>EXPENDITURES</b>				
Current				
Judicial	16,464	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	616,979	437,736	104,594
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>16,464</u>	<u>616,979</u>	<u>437,736</u>	<u>104,594</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(12,964)</u>	<u>(68,050)</u>	<u>(12,204)</u>	<u>24,082</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term debt	-	-	-	-
Operating transfers in	12,400	-	-	10,000
Operating transfers (out)	-	-	-	-
	<u>12,400</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(564)	(68,050)	(12,204)	34,082
<b>FUND BALANCES, beginning of the year</b>	<u>1,076</u>	<u>34,526</u>	<u>108,369</u>	<u>101,235</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 512</u>	<u>\$ (33,524)</u>	<u>\$ 96,165</u>	<u>\$ 135,317</u>

Plaza Pool	Register of Deeds Automation	Veterans Trust	Building Authority Debt	EPA Sewer # 5	1989 Water / Sewer Bond	EPA Water # 5
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	2,541	-	-	-	-
-	-	-	-	-	-	-
76,561	54,981	-	-	-	-	-
-	-	-	-	-	-	-
-	33	-	425,725	225,700	132,113	64,550
3,151	-	-	-	-	-	-
79,712	55,014	2,541	425,725	225,700	132,113	64,550
-	-	-	-	-	-	-
-	74,969	-	-	-	-	-
-	-	-	-	-	-	-
-	-	3,196	-	-	-	-
114,116	-	-	-	-	-	-
-	-	-	349,252	180,000	105,000	50,000
-	-	-	151,880	45,700	27,113	14,550
114,116	74,969	3,196	501,132	225,700	132,113	64,550
(34,404)	(19,955)	(655)	(75,407)	-	-	-
-	-	-	214,356	-	-	-
35,401	-	-	-	-	-	-
-	-	-	-	-	-	-
35,401	-	-	214,356	-	-	-
997	(19,955)	(655)	138,949	-	-	-
1,061	43,911	732	(246)	-	-	-
\$ 2,058	\$ 23,956	\$ 77	\$ 138,703	\$ -	\$ -	\$ -



County of Alpena

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2004

	Alpena Area Recreation	Equipment	Total Governmental Activities
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ 422,129
Licenses and permits	-	-	4,143
Federal grants	-	-	144,053
State grants	-	-	555,780
Other intergovernmental revenue	-	-	67,371
Charges for service	-	-	1,429,970
Fines and forfeitures	-	-	3,500
Interest and rents	-	1,934	865,423
Other revenue	-	1,310	149,093
Total revenues	-	3,244	3,641,462
<b>EXPENDITURES</b>			
Current			
Judicial	-	-	16,464
General government	-	-	74,969
Public safety	-	16,365	977,409
Health and welfare	-	-	925,169
Recreation and cultural	145	-	1,273,570
Debt Service			
Principal	-	168,010	852,262
Interest	-	-	239,243
Total expenditures	145	184,375	4,359,086
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(145)	(181,131)	(717,624)
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from long-term debt	-	21,355	235,711
Operating transfers in	-	126,803	613,853
Operating transfers (out)	-	-	(120,767)
	-	148,158	728,797
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(145)	(32,973)	11,173
<b>FUND BALANCES, beginning of the year</b>	145	162,878	1,150,843
<b>FUND BALANCES, end of the year</b>	\$ -	\$ 129,905	\$ 1,162,016

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County of Alpena

**COMBINING BALANCE SHEET - FIDUCIARY FUNDS**

December 31, 2004

	Trust and Agency Fund	Library Penal Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,397,661	\$ 71,131
Investments	-	-
Interest and accounts receivable	-	-
	<u>\$ 1,397,661</u>	<u>\$ 71,131</u>
<b>LIABILITIES AND FUND EQUITY</b>		
Accrued payroll and withholdings	\$ 96,124	\$ -
Other liabilities and deposits	55,248	71,131
Due to other governmental units	183,160	-
Due to other funds	<u>1,063,129</u>	<u>-</u>
	<u>1,397,661</u>	<u>71,131</u>
Fund balances	<u>-</u>	<u>-</u>
	<u>\$ 1,397,661</u>	<u>\$ 71,131</u>

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Employee Sick Pay	Totals
\$ 219,170	\$ 1,687,962
14,693	14,693
14	14
<u>\$ 233,877</u>	<u>\$ 1,702,669</u>
\$ 233,877	\$ 330,001
-	126,379
-	183,160
-	1,063,129
<u>233,877</u>	<u>1,702,669</u>
-	-
<u>\$ 233,877</u>	<u>\$ 1,702,669</u>

County of Alpena

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
AGENCY FUNDS**

Year Ended December 31, 2004

	Balances Jan 01, 04	Additions	Deductions	Balances Dec 31, 04
<b>TRUST AND AGENCY FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,271,912	\$ 15,860,209	\$ 15,734,460	\$ 1,397,661
	<u>\$ 1,271,912</u>	<u>\$ 15,860,209</u>	<u>\$ 15,734,460</u>	<u>\$ 1,397,661</u>
<b>LIABILITIES</b>				
Payroll withholdings and other	\$ 35,507	\$ 1,779,379	\$ 1,718,762	\$ 96,124
Other liabilities and deposits	63,947	335,809	344,508	55,248
Due to other governmental units	166,053	8,024,262	8,007,155	183,160
Due to other funds	1,006,405	11,387,469	11,330,745	1,063,129
	<u>\$ 1,271,912</u>	<u>\$ 21,526,919</u>	<u>\$ 21,401,170</u>	<u>\$ 1,397,661</u>
<b>LIBRARY PENAL FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 89,874	\$ 381,459	\$ 400,202	\$ 71,131
	<u>\$ 89,874</u>	<u>\$ 381,459</u>	<u>\$ 400,202</u>	<u>\$ 71,131</u>
<b>LIABILITIES</b>				
Other liabilities and deposits	\$ 89,874	\$ 154,793	\$ 173,536	\$ 71,131
	<u>\$ 89,874</u>	<u>\$ 154,793</u>	<u>\$ 173,536</u>	<u>\$ 71,131</u>
<b>EMPLOYEE SICK PAY FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 216,084	\$ 3,226	\$ 140	\$ 219,170
Investments	14,554	139	-	14,693
Interest and accounts receivable	7	14	7	14
	<u>\$ 230,645</u>	<u>\$ 3,379</u>	<u>\$ 147</u>	<u>\$ 233,877</u>
<b>LIABILITIES</b>				
Payroll withholdings and other	\$ 230,645	\$ 3,232	\$ -	\$ 233,877
	<u>\$ 230,645</u>	<u>\$ 3,232</u>	<u>\$ -</u>	<u>\$ 233,877</u>

County of Alpena

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
AGENCY FUNDS**

Year Ended December 31, 2004

	Balances Jan 01, 04	Additions	Deductions	Balances Dec 31, 04
<b>TOTALS - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,577,870	\$ 16,244,894	\$ 16,134,802	\$ 1,687,962
Investments	14,554	139	-	14,693
Interest and accounts receivable	7	14	7	14
	<u>\$ 1,592,431</u>	<u>\$ 16,245,047</u>	<u>\$ 16,134,809</u>	<u>\$ 1,702,669</u>
<b>LIABILITIES</b>				
Payroll withholdings and other	\$ 266,152	\$ 1,782,611	\$ 1,718,762	\$ 330,001
Other liabilities and deposits	153,821	490,602	518,044	126,379
Due to other governmental units	166,053	8,024,262	8,007,155	183,160
Due to other funds	1,006,405	11,387,469	11,330,745	1,063,129
	<u>\$ 1,592,431</u>	<u>\$ 21,684,944</u>	<u>\$ 21,574,706</u>	<u>\$ 1,702,669</u>

County of Alpena

**SCHEDULE OF INDEBTEDNESS**

December 31, 2004

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Payable</u>	<u>Annual Interest Payable</u>
<b>PRIMARY GOVERNMENT - GOVERNMENTAL ACTIVITIES</b>				
Alpena County Water	7.40%	2005	\$ 50,000	\$ 10,850
Supply System #5	7.50%	2006	50,000	7,125
Date of Issue: May 1, 1989	7.50%	2007	25,000	4,313
Amount of Issue: \$870,000	7.50%	2008	25,000	2,438
	7.50%	2009	20,000	750
			<u>170,000</u>	<u>25,476</u>
County of Alpena	7.40%	2005	120,000	19,342
1989 Series G.O. Refunding Bonds	7.45%	2006	75,000	10,463
Date of Issue: May 4, 1989	7.50%	2007	65,000	4,875
Amount of Issue: \$3,005,000			<u>260,000</u>	<u>34,680</u>
Alpena County Sanitary	4.80%	2005	175,000	36,400
Sewage Unlimited Tax	5.00%	2006	175,000	28,000
Refunding Bonds	5.00%	2007	195,000	19,250
Date of Issue: January 12, 1994	5.00%	2008	190,000	9,500
Amount of Issue: \$2,705,000			<u>735,000</u>	<u>93,150</u>
Alpena County Building Authority	4.75%	2005	100,000	42,922
Building Authority Bonds	4.75%	2006	105,000	38,054
Date of Issue: March 1, 1998	4.75%	2007	105,000	33,068
Amount of Issue: \$1,360,000	4.75%	2008	115,000	27,841
	4.75%	2009	120,000	22,260
	4.75%	2010	130,000	16,322
	4.85%	2011	130,000	10,082
	4.95%	2012	140,000	3,465
			<u>945,000</u>	<u>194,014</u>

County of Alpena

**SCHEDULE OF INDEBTEDNESS**

December 31, 2004

	Interest Rate	Date of Maturity	Principal Payable	Annual Interest Payable
Alpena County Building Authority	4.60%	2005	\$ 65,000	\$ 28,275
Building Authority Bonds	4.70%	2006	65,000	25,253
Date of Issue: November 1, 1999	4.85%	2007	70,000	22,027
Amount of Issue: \$840,000	5.00%	2008	80,000	18,330
	5.10%	2009	40,000	15,310
	5.20%	2010	40,000	13,250
	5.25%	2011	40,000	11,160
	5.30%	2012	40,000	9,050
	5.40%	2013	40,000	6,910
	5.50%	2014	50,000	4,455
	5.60%	2015	55,000	1,540
			<u>585,000</u>	<u>155,560</u>
Alpena County Building Authority	3.80%	2005	55,000	13,128
Building Authority Bonds	4.00%	2006	55,000	18,083
Date of Issue: September 1, 2001	4.10%	2007	60,000	16,983
Amount of Issue: \$995,000	4.20%	2008	60,000	15,753
	4.30%	2009	65,000	14,493
	4.40%	2010	70,000	13,096
	4.50%	2011	70,000	11,555
	4.60%	2012	75,000	9,980
	4.80%	2013	80,000	8,255
	4.90%	2014	80,000	6,335
	5.00%	2015	85,000	4,375
	5.00%	2016	90,000	2,250
			<u>845,000</u>	<u>134,286</u>
Alpena County Building Authority	3.60%	2005	110,000	23,665
Building Authority Bonds	3.60%	2006	110,000	19,705
Date of Issue: February 1, 2002	3.90%	2007	95,000	15,745
Amount of Issue: \$960,000	4.10%	2008	90,000	12,040
	4.30%	2009	70,000	8,350
	4.40%	2010	60,000	5,340
	4.50%	2011	60,000	2,700
			<u>595,000</u>	<u>87,545</u>



County of Alpena

**SCHEDULE OF INDEBTEDNESS**

December 31, 2004

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Payable</u>	<u>Annual Interest Payable</u>
<b>PRIMARY GOVERNMENT - GOVERNMENTAL ACTIVITIES (continued)</b>				
Alpena County Building Authority	4.40%	2005	\$ 15,008	\$ 3,852
Commercial bank loan	4.40%	2006	15,668	3,192
Date of Issue: April 12, 2002	4.40%	2007	16,358	2,502
Amount of Issue: \$135,000	4.40%	2008	17,077	1,783
	4.40%	2009	17,829	1,031
	4.40%	2010	5,607	247
			<u>87,547</u>	<u>12,607</u>
Alpena County Building Authority				
Intergovernmental loan				
Date of Issue: February 1, 2003				
Amount of Issue: \$112,500	0.00%	2005	<u>102,557</u>	<u>-</u>
			<u>102,557</u>	<u>-</u>
<b>INSTALLMENT PURCHASE AGREEMENTS</b>				
Various installment purchase agreements		2005	152,408	14,467
		2006	85,046	6,361
		2007	63,158	3,004
		2008	31,756	519
			<u>332,368</u>	<u>24,351</u>
Compensated absences		2005	<u>236,249</u>	<u>-</u>
Total Primary Government - Governmental Activities			<u>\$ 4,893,721</u>	<u>\$ 761,669</u>

County of Alpena

**SCHEDULE OF INDEBTEDNESS**

December 31, 2004

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Payable</u>	<u>Annual Interest Payable</u>
<b>DISCRETELY PRESENTED COMPONENT UNITS</b>				
Alpena General Hospital	4.800%	2005	\$ 275,000	\$ 309,994
1999 G.O. Improvement Bonds	4.850%	2006	300,000	296,119
Date of Issue: November 1, 1999	4.875%	2007	300,000	281,531
Amount of Issue: \$7,525,000	4.875%	2008	325,000	266,297
	4.875%	2009	325,000	250,453
	4.875%	2010	350,000	234,000
	4.875%	2011	375,000	216,328
	4.875%	2012	375,000	198,047
	4.875%	2013	400,000	179,156
	4.875%	2014	425,000	159,047
	4.875%	2015	450,000	137,719
	4.875%	2016	475,000	115,172
	4.875%	2017	500,000	91,406
	4.875%	2018	525,000	66,422
	4.875%	2019	550,000	40,219
	4.875%	2020	550,000	13,406
			<u>6,500,000</u>	<u>2,855,316</u>
Alpena General Hospital	5.000%	2005	200,000	269,537
2000 G.O. Improvement Bonds	5.000%	2006	225,000	259,537
Date of Issue: May 1, 2000	5.000%	2007	225,000	248,287
Amount of Issue: \$5,875,000	5.000%	2008	250,000	237,037
	5.000%	2009	275,000	224,537
	5.000%	2010	275,000	210,787
	5.000%	2011	300,000	197,038
	5.000%	2012	325,000	182,038
	5.125%	2013	325,000	165,788
	5.125%	2014	325,000	149,131
	5.200%	2015	350,000	132,475
	5.250%	2016	375,000	114,275
	5.250%	2017	375,000	94,588
	5.350%	2018	400,000	74,900
	5.350%	2019	450,000	53,500
	5.350%	2020	550,000	29,425
			<u>5,225,000</u>	<u>2,642,880</u>

County of Alpena

**SCHEDULE OF INDEBTEDNESS**

December 31, 2004

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Payable</u>	<u>Annual Interest Payable</u>
<b>DISCRETELY PRESENTED COMPONENT UNITS (continued)</b>				
Alpena General Hospital	3.57%	2005	\$ 760,000	\$ 114,062
2003 G.O. Improvement Bonds	3.57%	2006	785,000	86,931
Date of Issue: May 1, 2003	3.57%	2007	810,000	58,905
Amount of Issue: \$3,925,000	3.57%	2008	<u>840,000</u>	<u>29,988</u>
			<u>3,195,000</u>	<u>289,886</u>
Alpena General Hospital	4.27%	2005	206,794	44,155
Equipment notes payable	4.27%	2006	215,799	35,150
Date of Issue: June 30, 2004	4.27%	2007	225,198	25,751
Amount of Issue: \$1,128,035	4.27%	2008	235,005	15,944
	4.27%	2009	<u>245,239</u>	<u>5,710</u>
			<u>1,128,035</u>	<u>126,710</u>
Compensated absences				
Alpena County Road Commission		2005	74,059	-
Health Department		2005	<u>522,655</u>	<u>-</u>
			<u>596,714</u>	<u>-</u>
Total discretely presented component units			<u>\$ 16,644,749</u>	<u>\$ 5,914,792</u>

**STRALEY, ILSLEY & LAMP P.C.**

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*TAX, AUDIT AND BUSINESS CONSULTANTS*

RETIRE  
GORDON A. NETHERCUT, C.P.A.  
CARL F. REITZ, C.P.A.  
WARREN W. YOUNG, C.P.A.

May 31, 2005

To the Board of Commissioners  
County of Alpena  
Alpena, Michigan

We have audited the financial statements of the County of Alpena, Michigan for the year ended December 31, 2004, and have issued our report thereon dated May 31, 2005. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Audit Standards**

As stated in our engagement letter dated December 27, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the County of Alpena's internal control. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County of Alpena's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by County of Alpena are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2004. We noted no transactions entered into by the governmental unit during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

## **Accounting Estimates**

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Management's estimate of the useful lives of fixed assets for depreciation purposes is based on historical information and industry estimates. We evaluated the assumptions used to develop depreciation expense in determining that it is reasonable in relation to the basic financial statements taken as a whole.

## **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures.

An audit adjustment may or may not indicate matters that could have a significant effect on the governmental unit's financial reporting process (that is, cause future financial statement to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the County of Alpena, either individually or in the aggregate, indicate matters that could have a significant effect on the County of Alpena's financial reporting process.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Alpena's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

## Reportable Conditions

Reportable conditions involve matters coming to our attention, under standards established by the American Institute of Certified Public Accountants, relating to significant deficiencies in the design or operations of the internal control structure that, in our judgment, could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic of financial statements. We discovered no reportable conditions that should be reported to management. Our consideration of the internal control structure would not necessarily disclose all matters that might be reportable conditions.

**Accumulated Fund Deficits.** The County of Alpena has accumulated fund balance/retained earnings deficits in the Northern Lights Arena Fund (\$33,524).

Public Act 275 of 1980 (MCL 141.921) requires that the County of Alpena file a deficit elimination plan to the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended the year in a deficit condition. The County of Alpena has not filed the required plan.

## Other Matters

1. **Recent Pronouncements.** The Governmental Accounting Standards Board and Michigan Department of Treasury, in its continuing process of updating the accounting principles that all governments must adhere to, has issued the following recent pronouncements that will have an impact on the way the County of Alpena maintains its financial records:
  - A. **GASB Statement No. 40 Deposit and Investment Risk Disclosures.** The deposits and investments of state and local government are exposed to risks that have the potential to result in losses. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk and interest rate risk. The requirements of this statement are effective for financial statements of the County of Alpena for the year ended December 31, 2005.
  - B. **GASB Statement No. 42 Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.** This Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries. The requirements of this statement are effective for financial statements of the County of Alpena for the year ended December 31, 2005.
  - C. **GASB Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.** This statement will require governmental units to record the cost of benefits (such as health insurance, life insurance, etc) in the periods when the related services are received by the employer if these benefits are not provided for through a pension plan. This will require the County to accrue and report an actuarially computed liability for any future postemployment benefit other than pensions. The requirements of this statement are effective for financial statements of the County of Alpena for the year ended December 31, 2008.
  - D. **GASB Statement No. 46 Net Assets Restricted by Enabling Legislation.** This statement clarifies that a legally enforceable enabling legislation restriction is one that a government is required to disclose the portion of net total assets that is restricted. The requirements of this statement are effective for financial statements of the County of Alpena for the year ended December 31, 2006.

2. **Issues Likely to Impact Local Governmental Units.** Over the past couple of years, and potentially for a few years beyond, the County of Alpena will be impacted by a number of significant financial issues. With the decline in the economy, financial markets, and declining tax collections, local governmental units are likely to see a freeze or reduction in State appropriations. Also, because pension contributions are based upon actuarial assumptions of the pension fund's asset base and earnings, any sustained downturn in the financial markets would most likely require increased contributions. Unrelated to the financial markets, the cost of health insurance premiums will most likely continue rising at double digit rates. Obviously, local governmental units will need to proceed with financial caution in mind.

We wish to thank the staff of the County of Alpena for their assistance during the audit.

This report is intended solely for the information and use of the Board of Commissioners of the County of Alpena, Michigan Department of Treasury, Management, and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which upon acceptance by County of Alpena, is a matter of public record.

We appreciate the opportunity to serve County of Alpena. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

*Straley, Ilsley & Lamp P.C.*